1Spatial plc (formerly Avisen plc)

Annual Report for the year ended 31 January 2012

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Highlights

Current year

- Revenue from continuing operations increased from £2.6m in 2011 to £5.2m in 2012
- Improvements in adjusted* EBITDA from an adjusted EBITDA loss of £1.5m in 2011 to an adjusted EBITDA loss of £0.5m in 2012
- Operating loss from continuing operations of £1.6m (2011: £7.8m)
- Disposed of Inca Software in April 2011 for £7.3m
- Acquired 1Spatial Holdings plc (''1Spatial Business'') on 28 November 2011 for £5.1m
- Cash balance at end of January 2012 of £2.7m (2011: £0.5m)
- In July 2011, the Group entered into a contract with Unilever to supply a global cost to serve solution for Unilever's global supply chain and customer service function. The contract comprised the sale of a perpetual software licence and the provision of services over a three year period.

*Adjusted for strategic, integration and other one-off items

Post Balance Sheet Highlights

- In March 2012, Gartner's report on the Magic Quadrant for Storage Resource Management and SAN Management Software noted Storage Fusion as a new vendor within the segment.
- Receipt of deferred consideration from disposal of Inca of £1.3m on 1 April 2012

Chairman's Statement

The year ended 31 January 2012 has been a very progressive year and has seen much change for the Group. With the disposal of Inca in April 2011 and the acquisition of the 1Spatial Business in November 2011, there has been a lot of focus on corporate transactions. However, despite this, there has still been some positive financial improvements within the existing businesses of both Avisen UK and Storage Fusion.

The Board's decision to invest in the 1Spatial Business will strengthen the strategy for the business moving forward. The 1Spatial Business has a strong customer base in some of the world's largest National Mapping Agencies ("NMAs") and these relationships have been built over many years throughout the history of the company. The 1Spatial Business product manages data for many of the NMAs and this puts 1Spatial Business as a strategic partner and provider of technology in this market. 1Spatial Business will put a continued focus on product development and the innovation of its intellectual property and offerings, providing both on-premise and Cloud solutions through its recently launched 1Spatial Cloud platform.

The common focus for all companies within the Group going forward, is to provide end users of data with both assurance over its quality and insight into its significance. This is part of the 'Big Data' concept. Big Data is a term applied to data sets whose size is beyond the ability of commonly used software tools to capture, manage, and process the data. Big data has increased the demand for information management specialists and software firms specialising only in data management and analytics; this industry is several billion dollars globally and continues to grow significantly each year.

The Board has undertaken review of the Group's operations as a result of the acquisition and believes that the full benefits of this review will come into effect in the second half of the next financial year ending January 2013.

I was delighted to take up the role as non-executive Chairman of the Group following the acquisition of 1Spatial Business, and having previously served as the Chairman of 1Spatial Business, I can bring my existing knowledge and experiences to the new enlarged Board. Mark Battles, who was the previous interim non-executive Chairman, is now a non-executive Director on the Board. I believe that the new Board brings the combined balance of knowledge and relevant expertise required to take the new Group forward. Existing members of the Board are Marcus Hanke (CEO), Claire Milverton (CFO), Marcus Yeoman and Mark Battles (Non-executives). New members of the Board from the 1Spatial Business are myself and Mike Sanderson (Director of Strategy). Nic Snape left the business in June 2012 and we thank him for his efforts over the last 10 years and wish him well in his new ventures.

Financial position

Revenues for the year were £5.2m, which is a 100 per cent. increase on the 2011 figure of £2.6m. Included within these revenues were two months of revenues from 1Spatial Business totalling £1.5m.

Both the Avisen UK and 1Spatial Business made positive adjusted EBITDA contributions to the Group of £0.3m each (1Spatial Business's EBITDA for two months). The Storage Fusion business broke even for the year at an adjusted EBITDA level. The overall Group's adjusted EBITDA was a loss of £0.5m, which was a significant improvement on the prior year EBITDA loss of £1.5m. The overall adjusted EBITDA loss of £0.5m is due to head office costs which are approximately £1.1m. The Group has made no secret of the need to scale the operations to absorb the overhead costs associated with being a listed entity. With a full year's trading from 1Spatial Business and good prospects for the other businesses, covering these costs going forward should be achievable.

The overall net loss for the year is £1.0m, which is a significant improvement on the net loss in 2011 of £7.2m. The overall loss is partly as a result of £0.5m amortisation of intangible assets, £0.5m of strategic, integration and other one off items mainly resulting from the 1Spatial Business acquisition and integration process, and a profit on disposal of Inca Software Ltd of £0.5m.

We have a strong balance sheet at the end of the year with a £2.7m cash balance (2011: £0.5m). Whilst we received £5.2m on the disposal of Inca in the year, we have incurred certain cash outflows required to ensure adequate support for the Unilever contract, the ongoing head office costs and deal transaction costs. Once all the strategic and reorganisation costs associated with 1Spatial Business have been finalised, we expect the ongoing trading businesses to be cash flow positive.

Strategy and reorganisation

In the last annual report, our stated strategy was to continue to grow organically and acquisitively, and to convert this growth into higher profit and improved cash flow for distribution to our shareholders; we feel we have made firm progress in this respect during the year. However, the Board believes that this cash is needed to support its next phase of growth under the 1Spatial name and will therefore not be distributing back to shareholders at this stage. As noted above, we are now under one common branding, however, we still have three trading subsidiaries, namely 1Spatial Business, Avisen UK and Storage Fusion. Taking each entity in turn:

1Spatial Business

As noted above, 1Spatial Business has a strong customer base in some of the world's largest National Mapping Agencies (NMAs), and these relationships have been built over many years.

Building on the current strong customer base, the growth strategy for the business will be to continue our focus on the NMA market along with key vertical sectors such as utilities, transport and defence. 1Spatial Business played a key role in delivering Ordnance Survey GB's Geospatial Data Management System which went live in 2011. The UK now co-chairs a UN committee of experts focussed on providing the UN with accurate geographic information in order to monitor the Millennium Development Goals, so 1Spatial is in a strong position to capitalise on a range of opportunities in the big data NMA space. In addition, the utilities are focussed on smartgrids and the installation of smart meters for which spatial data is key to management and strengthens the requirement for the 1Spatial Business offering. Given our recent success at United Utilities Group plc with a project focused on data quality, we have a strong proof point for further development into this market.

In addition, the Board is encouraged by the application of the company's Patented Oracle 3D Topology developed in conjunction with its government defence and military clients around the world and has sanctioned further market investment in this area.

As part of our revised strategy we are addressing the ways in which we can achieve growth for the business in our marketplace, leverage our brand and scale the business on a global basis. Key to this success will be a major focus on partnerships as part of the plan, so that we may leverage our technology offerings and provide more options for our customer base. One such partnership is with Google, where we have become an Enterprise Partner and will be using Google's technology and world-class platform to amplify Big Data issues for our customers and prospects. We will continue to develop our already strong partnerships with Oracle, Trimble and ESRI.

Avisen UK

Avisen continues to provide profitability improvement services to its clients which include Tesco and Unilever. There continues to be significant opportunities within this part of the business.

Storage Fusion

Storage Fusion continues to develop, adding clients and partners to its unique storage resource analytical software and providing insight into these organisations' complex infrastructures; the Board is confident of securing further storage vendor partnerships during the remainder of this year to significantly enhance revenue and profitability. With its Cloud enabled offering it provides a cost effective way to measure data storage usage and consumption, and with the huge growth forecast in the SAAS marketplace the Storage Fusion product is very attractive.

Conclusion and outlook

Following the internal review, the Board believes that the Group is in a strong position to start a phase of organic growth and operating cash flow generation.

Whilst the addition of the 1Spatial Business gives more scale to the business, management remains keen to review other acquisition opportunities to accelerate the growth of the business and provide more scale and synergistic opportunities.

I would also like to take this opportunity to thank the management team and all of our employees for their hard work and dedication. This has enabled us to navigate a challenging environment and strongly position 1Spatial for the future.

S Berry
Chairman
30 July 2012

Business and Financial Review

Business review

1Spatial plc consists of a group of innovative and market leading software companies trading under individual brands; 1Spatial Business, Avisen and Storage Fusion. During the year there has been some changes to the structure of the Group and a summary of these changes and their impact on the financial statements is set out below.

<u>Continuing operations</u>

New businesses – Acquisitions – 2 months of operations included within the income statement:

- 1Spatial Business - Location based software development and consultancy business. This business was acquired on 28 November 2011.

Existing businesses – 12 months of operations included within the income statement:

- Avisen - Management consultancy specialising in profit improvement and exclusive distributor of Acorn Systems' Software in the UK and Ireland.
- Storage Fusion - Independent Software Vendor specialising in storage analytics for the heterogeneous storage estate delivered using Software as a Service ("SaaS") architecture.

<u>Discontinued operations</u>

- Inca Software Limited - Reseller of IBM Cognos software. This business was disposed on 1 April 2011. Two months of operations are included within the income statement. Further details of this are set out in note 22.

What our businesses do and their markets

<u>1Spatial Business</u>

<u>Overview</u>

1Spatial Business is a software development company which provides location based software and related services. The majority of the business comprises the sale of its own 1Spatial software products and related services. It is also a reseller of other location based software products.

For more than 35 years, 1Spatial Business has been delivering solutions and services to public and private sector organisations who handle petabyte volumes of location based business critical data.

1Spatial Business's approach is to help companies make better use of their data (however large or complex) enabling them to leverage the intelligence in location data to make better business decisions. Working with our partners such as Oracle, Safe Software, ESRI, Latitude Geographics, Trimble GeoSpatial and Pitney Bowes Software, means that 1Spatial can offer location based solutions based on best-of-breed technologies. The use of 1Spatial's rules-based technology ensures that quality data is integrated effectively into daily business operations, whilst improving performance and return on investment and enabling organisations to meet their Service Level Agreements.

1Spatial has traditionally sold on-premise solutions, however, 1Spatial now offers a cloud based Online Validation Service, delivered through its cloud product Socium, making it scalable to customers whether they required a cloud based or on-premise solution. This service makes data quality accessible to everyone, irrespective of technical knowledge or budget.

Some examples of where we have used our technology is as follows:

<u>Our solutions are honed in the Big Data environments of the NMAs.</u>
IDC commenting on the delivery of Ordnance Survey ("OS") GB's data maintenance solution in 2011 (delivered by 1Spatial Business), said:

"The OS geospatial database and data management system will define a best practice for the collection, distribution and use of geospatial data."

Utilities market

In the utilities market, with major technology refresh programmes underway to facilitate smart grids, 1Spatial's tools are being used to re-engineer existing data to provide connectivity across network elements. Following earlier success at Thames Water, 1Spatial Business has developed a data improvement methodology, of which United Utilities Head of ICT Business Solutions said recently: "Our focus at United Utilities ("UU") is on providing better service to our customers and one of the ways we're doing this is to give our employees a better view of what's happening right across our asset base. Good data is the foundation of this programme and we're delighted to be using 1Spatial's expertise to help us build a clear picture for UU."

Other work

1Spatial's work on address management at British Transport Police has been the subject of a Bloor report on Business Intelligence. Bloor commented:

"The British Transport Police have reduced disruption to train services by creating an accurate addressing system using location. They can now exactly locate an incident and conclude their activity much quicker—within an average of 90 minutes. This has improved the scheduling of resources and minimised disruption to rail transport."

1Spatial's target market and competitors

Market - products

1Spatial is structured to focus on two clear markets, with different business models and significant prospects for growth and increased profitability:

- Data Providers. The Data Providers are those organisations that have the data (e.g. the Ordnance Surveys) and require solutions to confirm reliability of that data and a 'user friendly' application to able to use it. The solution delivered to OSGB for data management and automated generalisation, is being marketed under the brand name Imperium. This is targeted at the National topographic mapping and cadastral agencies. Currently 17 of the 30 world's largest national mapping agencies use 1Spatial's technology. The Company will seek to extend its reach into this market via increased investment in product development to allow our customers to deliver new digital products to market faster and through investment in our geographical reach and strategic partnering agreements

- Knowledge Sector/GIS Sector. Knowledge Sector Customers are typically customers who use the data supplied by the data providers (e.g. DEFRA agencies and the Utilities companies). The success of 1Spatial's common language rules engine and approach to spatial data integrity and processing has captured the attention of major players in the GIS Sector. This is a £1.5billion annual market. 1Spatial's focus is to continue to strengthen its strategic relationships with leading companies in that sector by developing components that integrate its rules engine and geo-processing technology into solutions provided by key companies, which represent over half of the total annual market with a combined customer base of 100,000s.

Market - geographies

1Spatial's main markets are the UK and the EU with a global customer base and strategic partnerships, covering the US, France, Germany, Nordics, the Middle East and the Far East. The Company has a wholly owned operating subsidiary in Australia.

Avisen

Overview

Avisen, the Group's management consultancy business, focuses on providing global companies with advice in relation to improving overall company profitability. One of the key tools that Avisen uses during this process is a software technology known as Acorn Systems. Based on a costing methodology designed by Harvard Professor, Prof Dr Robert Kaplan and Steve Anderson who is on the board of Acorn, Acorn uses transaction level cost allocation to reveal profit improvement opportunities across the enterprises customers, products, segments, vendors, channels and processes. This enables clients to make fact-based, profit-focused decisions which Avisen then help them implement. Although niche, the Avisen brand is uniquely positioned as it has the exclusive UK distribution rights for Acorn Systems' products and global distribution rights outside of the USA and a skilled team of technical and business consultants.

Avisen's target market and competitors

Avisen operates in the enterprise market place where a typical client is a company with revenues in excess of £100m and with high-volumes of transactions where they understand the total cost of running the business but can't see how each product, customer or channel is driving up that cost. These are sectors such as fast moving consumer goods, distribution, retail, financial services, professional services and pharmaceuticals.

Avisen's competitors are distributors of other profitability management software (SAP, Oracle, Prodocapo, SAAS Institute etc). Our focus is on building recurring revenue from software sales and support contracts. This enables us to work with, and provide paid services to the "Big 4" consulting companies and other niche consultancy businesses providing profitability improvement services using Acorn. We market directly to these businesses and to the finance and operational executives of our target clients.

The Group continually assesses the demand for its products and services in the market place and adapts its product offerings and pricing strategies to support this. We have focused the business on helping the large corporate market understand the true cost and profitability of their customers, products and operations as well as providing support in reconfiguring them. Areas where we see the most interest to use our software and services are:

- Logistics and distribution, to understand the network cost of delivered and returned goods and reconfigure supply chain based on the detailed analysis that we provide.
- In FMCG ("Fast Moving Consumer Goods") and retail, to move past gross margin and understand the actual delivered margin from products and services through the supply chain in order to see true customer profitability.
- In financial services, to understand the profitability of individual customers, segments and products by allocating all costs and revenues to that grouping.
- In shared services and outsourcing, to build transparent "charge-back" mechanisms to allocate cost to the business units that consume them.
- In healthcare, to track the cost of patients through a hospital or other care setting and the actual costs associated with different procedures.

Storage Fusion

Overview

Storage Fusion is the author of Storage Resource Analysis ("SRA") which provides comprehensive analytics for enterprise storage environments through an affordable SaaS service and without the need for disruptive probes and agents.

SRA cuts through the complexity of heterogeneous storage environments without the necessity for expensive on-premise software, on-going support and maintenance, a time-consuming implementation project, disruptive future upgrades and additional hardware to run the solution. This delivers detailed analytics within a matter of hours.

Storage Fusion empowers companies with the analytics they need to make informed decisions about their storage resources, thereby reducing IT expenditure and improving business operations.

With complete transparency an entire storage environment, Storage Fusion's SRA solution enables an organisation to undertake the following business critical activities to deliver operational effectiveness:

- Storage reclaim
- Internal charge-back
- Data centre migration / consolidation
- Vendor rationalisation
- Technology swaps / refreshes
- Asset tracking
- Capacity planning
- Depreciation reporting
- Cloud migration
- Virtualization and thin provisioning analysis
- Storage tiering
- Metrics analysis and report trending
- Identification of configuration exceptions

The demand for our SRA product has been clearly demonstrated following the signing of contracts with a worldwide information technology company who will be acting as one of our partners.

Storage Fusion's target market and competitors

Storage Fusion's target market is any organisation that needs to report across their storage estate. Typically these are global companies that have multiple data centres, hardware from more than one storage vendor and in excess of 100 terabytes of storage.

SRA is also used as a presales assessment tool by hardware vendors and partners to augment their hardware and professional services revenue.

In March 2012 Gartner's report, the Magic Quadrant for Storage Resource Management and SAN Management Software, Storage Fusion was noted as a new vendor within the segment.

Inca Software Ltd

Discontinued operations

This business was disposed on 1 April 2011 for £7.3m of cash and extinguishment of £1.2m of net liabilities. This business was originally acquired for £4m of shares in August 2009. The total return from the Inca business since the start of our period of ownership is in the region of £3.5m, which gives a return on our original investment in excess of 85 per cent. The accounting profit on disposal following the write-off of goodwill and intangible assets of £7.6m is £0.5m

Strategy and objectives of the business

Our business strategy is to continue to pursue growth, both organically and acquisitively, and to convert this growth into higher profit and cash flow for distribution to our shareholders.

The management team undertook a full strategic review following the acquisition of 1Spatial in November 2011 and developed the following key objectives for the year ahead:

- Improve organic growth in the 1Spatial Business by:
  - Growing revenues with existing customers through customer care programmes.
  - Targeting new customers within current known sectors of NMAs and utilities.
  - Developing a suite of products to sell to existing and new customers.
  - Re-branding and re-defining our corporate messaging.
  - Strengthening our strategic partnership channel.

- Improve organic growth in the Avisen business by:
  - Utilising our skilled workforce to deliver on key contracts.
  - Planned campaigns to increase awareness within key target sectors. Using our success with existing customers to demonstrate our abilities.
  - Re-defining key corporate messages within our target market
  - Leveraging further the success of the Acorn solution globally and optimising partner marketing activities.
  - Build on the "Big 4" accounting firm relationships as a new channel to market.

- Improve organic growth in the Storage Fusion business by:
  - Launching SRA Enterprise Edition.
  - Developing global sales network via partners.
  - Implement marketing strategy to increase product awareness, brand and sales revenue.
  - Developing additional SRA apps to enable new features that increase overall product value and sales.
  - Re-defining corporate messages and identifying key sectors to approach.
  - Developing awareness amongst the analyst community through key contacts at Gartner.

- Identify key acquisition targets which complement the current existing businesses.

Principal risks

With respect to our stated strategy:

"Improve organic growth in the 1Spatial plc business"

The principal market risks are that the current slowdown may continue and that competition may reduce the Group's market share and margins. In order to mitigate these risks, the Group constantly monitors the market through participation in industry groups and monitoring of competitors. This information enables us to make informed decisions about where we should be targeting and aids our discussions with suppliers.

Due to the recent recession and the continuing slow growth cycle in Western economies, companies may require a robust business case before investing in IT products and services. This may have the effect of increasing deal cycles and reducing deal size. However, we believe this will be offset against an increase in demand for consulting services to support the clients through this process.

''Identify key acquisition targets which complement the current existing businesses''

There is a risk that the Company may not identify suitable acquisitions for merging with the existing business. The Board believes that this risk is low as the Group has a pipeline of opportunities that it has built up through constantly researching in the market and networking by the Board with its advisors and other contacts in the industry.

There is a risk that acquisitions identified may not be successful, either because the acquisition itself was not as expected or because of poor integration. In respect of the acquisition itself, the Board undertakes the appropriate due diligence in advance of the acquisition. With respect to the successful integration and operation of the acquired businesses, this risk is mitigated by a very structured approach to the integration process, dedicated teams and careful monitoring of performance post acquisition.

In addition to the above, the Group also faces the following principal risks:

Unfavourable economic conditions
In the case of unfavourable economic conditions the Group would need to assess the ongoing costs of the business and rationalise where appropriate. If these steps were not sufficient to make businesses commercially viable then the Board would have to reconsider the Group's overall strategy.

Key management and consultants may leave the business
In order to mitigate this risk, the Group aims to create a rewarding working environment that will attract staff by offering competitive salaries and benefits, structured career paths, tailored training and by encouraging free thinking and innovation.

Reliance on key customers
The Group has reliance on certain key customers. The management team maintains good relationships with its customers through continued communication throughout the year. Should a key customer choose not to contract with us again, we may need to re-consider our overall strategy and our cost base.

Reliance on third party software
In the Avisen UK business certain aspects of our software offerings are dependent on third parties and are susceptible to rapid technological change. Any absence or failure of key third-party products could have a material effect on our business.

To mitigate this risk, we keep under review all key commercial relationships and developments in technology in our marketplace.

Keeping our Storage Fusion software supported and up to date with current technologies
Maintaining the hardware support matrix and features is an essential part of what Storage Fusion does, in order that customers can continue to report across their entire storage environment. Our storage software architects and development team work extensively with our customers and partners to ensure that SRA is kept up-to-date with current technologies and that the product continues to be valuable and useable. This product strategy ensures that SRA's storage analytics is more advanced than anything available in the marketplace today.

If the above maintenance and support of the software was not undertaken, there is a risk that Storage Fusion would not be able to fulfil its customer obligations.

A major failure may adversely disrupt operations

1Spatial plc prepares recovery plans for all foreseeable situations so that business operations can continue should a major failure occur. In terms of IT, all files etc. are backed up off site and all staff have access to laptops to continue working should such an incident occur. The Group is approaching completion of moving all IT infrastructure to third party providers. This will reduce the risk and cost of managing the infrastructure and the sole reliance on key individuals in the team

Financial review

Consolidated results for the year

There have been a number of factors which have impacted on the statutory results for the year. The continuing operations include the results of 1Spatial Business for two months and the costs associated with this transaction.

The results also include discontinued operations which relate to the Inca software business which was sold in the year.

A summary of the trading results of the continuing operations is set out below:

	2012					2011			
	Head office	Avisen	Storage Fusion	1Spatial Group 2 months	Total	Head office	Avisen	Storage Fusion	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	-	3,305	390	1,533	5,228	-	2,401	230	2,631
Gross profit	-	710	390	755	1,855	-	461	230	691
Adjusted* EBITDA	**(1,134)**	**305**	**(13)**	**330**	**(512)**	**(1,293)**	**(61)**	**(127)**	**(1,481)**
Depreciation	(11)	(7)	(13)	(11)	**(42)**	-	-	(5)	**(5)**
Amortisation and impairment of intangible assets	-	(8)	(431)	(66)	**(505)**	(4,500)	(25)	(263)	**(4,788)**
Strategic, integration and other one off items	(516)	10	-	(34)	**(540)**	(1,428)	(12)	(60)	**(1,500)**
Operating loss	**(1,661)**	**300**	**(457)**	**219**	**(1,599)**	**(7,221)**	**(98)**	**(455)**	**(7,774)**
Net finance cost	12	5	(1)	(10)	**6**	(7)	(20)	-	**(27)**
Loss before tax	**(1,649)**	**305**	**(458)**	**209**	**(1,593)**	**(7,228)**	**(118)**	**(455)**	**(7,801)**
Tax	-	43	129	1	**173**	-	137	22	**159**
Loss for the year	**(1,649)**	**348**	**(329)**	**210**	**(1,420)**	**(7,228)**	**19**	**(433)**	**(7,642)**

*Adjusted for strategic, integration and other one off items

Revenue
The Group's revenues have increased by £2.6m (99%). This is as a result of increased revenues in both the Avisen and Storage Fusion businesses but also as a result of the inclusion of the 1Spatial Business results for 2 months. The increase in the Avisen revenues is as a result of the sale of the Acorn licence to Unilever in the year. The increase in the Storage Fusion revenues is due to only 9 months of revenue being included in 2011 along with some additional sales made in the year.

Operating loss
The Group made an operating loss in the year of £1.6m however this is an improvement on the operating loss of £7.8m in the prior year. This is as a result of an increase in Adjusted EBITDA of £1m and a reduction in Amortisation and impairment costs of £4.3m and Strategic, integration and other one off items of £1m. The 2012 Strategic, integration and other one off items mainly relate to the costs associated with the acquisition of the 1Spatial Business.

Adjusted* EBITDA
Adjusted EBITDA results improved on the prior year for all trading entities. Taking the main trading entities, Avisen improved from an Adjusted EBITDA loss of £0.1m in 2011 to a profit of £0.3m. Storage Fusion made a small EBITDA loss of £0.1m in 2011 however this is break-even for the year ended 31 January 2012. Head office costs are slightly reduced on the 2011 figures mainly as a result of slightly reduced Director costs.

Amortisation and impairment of intangible assets
The main component of the £0.5m amortisation and impairment charge is the £0.4m amortisation in relation to Storage Fusion. Included within the 2011 figure of £4.8m was a £4.5m goodwill impairment charge arising in relation to the Xploite acquired goodwill.

Strategic, integration and other one off items
In accordance with the Group's policy, these costs were significant in the year and therefore they have been analysed separately in note 7. The main components are:

Strategic costs of £0.3m (2011: £0.5m) – The main proportion of these costs are professional and advisor fees in relation to the 1Spatial Business acquisition. In accordance with IFRS 3 (Revised) such costs are no longer able to be capitalised as part of the cost of acquisition.

Costs of duplication and integration £0.2m (2011: £1m) – This cost mainly represents redundancy and compromise costs.

Tax
The tax credit of £0.2m in the year mainly relates to current tax credits received on Research and Development claims made.

Discontinued operations
Discontinued operations relate to the Inca Software business which was disposed on 1 April 2011. The results include a loss from operations for the two months to 31 March 2011 of £0.1m and a gain on disposal of the operations of £0.5m.

Consolidated statement of financial position
The Group's financial position at 31 January 2012 is set out in the Consolidated Statement of Financial Position. In accordance with IFRS, the financial position for Inca Software, the subsidiary which was disposed on 1 April 2011, has been disclosed within the category 'Held for Sale' in the 2011 comparative.

Non-current assets
The most significant component of non-current assets at 31 January 2012 is the intangible asset balance of £9.7m (2011: £3.0m). The main reason for this increase is the acquisition of the 1Spatial Business in November 2011. The Board are comfortable with the carrying amounts of Goodwill and Intangible assets which are being carried forward.

Current assets (excluding assets held for sale)
The Group has current assets of £8.4m at 31 January 2012 (2011: £1.6m). The increase in current assets is mainly as a result of the 1Spatial acquisition (increase in debtors) and the cash received on the disposal of Inca.

Liabilities (excluding liabilities held for sale)
The Group has total current liabilities of £6.2m at 31 January 2012 (2011: £3.3m). The increase in current liabilities is largely attributable to the inclusion of 1Spatial's creditors at 31 January 2012.

Non current liabilities
The Group's non-current liabilities increased from £0.3m in 2011 to £1.1m in 2012 mainly as a result of the deferred tax liability arising on the 1Spatial Business intangible assets acquired in the year. The deferred tax liability of £1.0m is a 'non-cash' item.

Shareholders' equity
Shareholders' equity is set out in the consolidated statement of changes in equity. Key points to note in the year are the shares issued in association with the 1Spatial Business acquisition and the increase in the merger reserve as a result of this. Total shareholder's equity increased from £7.0m at 31 January 2011 to £11.1m at 31 January 2012.

Consolidated statement of cash flows
Overall the Company generated cash in the year of £2.2m (2011: £0.3m) and had cash at the end of the year of £2.7m (2011: 0.5m).

Key points to note are as follows:

Cash flows from operating activities
The Group used cash of £3.2m to fund its operating activities. This can be explained through the Adjusted EBITDA loss of £0.5m and strategic, integration and other one off item costs of £0.5m coupled with significant working capital movements. The working capital movements arise mainly due to the following:

- Recognition of perpetual licence fee from main customer within Avisen business but less than fifty percent of the cash in relation to this had been received by the year end
- Payment of cash to supplier for one hundred percent of the licence fee noted above
- Time lag between payment of consultants wages and eventual receipt of cash for the work done by the customer due to pre agreed credit terms

Cash flows from Investing activities
The most significant inflow from investing activities was the £5.2m cash inflow on the sale of Inca Software. In addition, the acquisition of 1Spatial Business plc gave rise to a cash inflow of £0.7m. Cash was invested in property plant and equipment of £0.2m (2011: £0.2m) and in product development and other intangible assets of £0.5m (2011: £0.2m).

Cash flows from Financing activities
Borrowings of £0.1m (2011: £0.4m) were repaid in the year.

Net funds/(debt)
Overall, £2.2m of cash was generated in the year. At the end of the year the Group has net funds of £2.6m (2011: 0.2m). Since the year end an additional £1.3m has been received in deferred consideration with respect to the Inca Software disposal.

Key Performance Indicators (KPIs)
The Board is focused on a number of financial KPIs that are used to measure performance.

Growth in revenues
Growth in total gross profit
Growth in total Adjusted EBITDA

The Group has considered the above KPI's for the two main segments of the business which were trading in both 2011 and 2012, Avisen and Storage Fusion. The KPI's are set out below:

	KPI Met	Avisen	Avisen	Change	%
		2012	2011		
		£'000	£'000	£'000	
Revenue	Yes	3,305	2,401	904	38%
Gross profit	Yes	710	461	249	54%
EBITDA	Yes	305	(61)	366	600%

		Storage Fusion	Storage Fusion*	Change	%
		2012	2011		
		£'000	£'000	£'000	
Revenue	Yes	390	307	83	27%
Gross profit	Yes	390	307	83	27%
EBITDA	Yes	(13)	(169)	156	92%

*12 month equivalent, Storage Fusion acquired in April 2010

As noted above, all financial KPI's were met in the period.

The Group does not currently have any specific non financial KPI's which are measured on a regular basis.

Group prospects and future developments

The management team remains committed to continuing its stated strategy of:

- Improve organic growth within all of its businesses
- Identify key acquisition targets which complement the current existing businesses

Directors' report

The Directors present their annual report on the affairs of the Company and the Group, together with the audited consolidated financial statements and the independent auditors' report for the year ended 31 January 2012 in accordance with International Financial Reporting Standards (IFRS's) as adopted by the EU.

Results and dividends

The results for the Group for the year and the Group and company's financial position at the end of the year are shown in the attached financial statements.

The Directors do not recommend the payment of a dividend (2011: £Nil).

Change of name

Following shareholder approval on 19 April 2012, the Company changed its name to 1Spatial plc on 23 April 2012.

Business review and future developments

The requirements of the business review have been considered within the Chairman's statement on pages 3 and 4 and business and financial reviews on pages 5 to 13.

Principal activities

The principal activity of the Group is the development and sale of IT software along with related consultancy and support. The principal activity of the Company is that of a parent holding company which manages the Group's strategic direction and underlying subsidiaries.

1Spatial plc (formerly Avisen plc) is a company incorporated in England and Wales. The registered office of the Company is Pannell House, Park Street, Guildford, Surrey, GU1 4HN.

On 1 April 2011 the Group sold its wholly owned subsidiary Inca Software Limited for £7,300,000 in cash. Further details of this are provided in note 22.

On 28 November 2011, the Company acquired the entire share capital of 1Spatial Holdings plc for £5,115,000 in shares. The 1Spatial Business's main activity is that of location based software, support and consultancy. Further details of this are provided in note 21.

Details of the business activities and acquisitions made during the year can be found in the business and financial review on pages 5 to 13 and in note 21 to the financial statements.

Changes in share capital

Details of movement in share capital are set out in note 17 to the financial statements.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business and financial review on pages 5 to 13 along with the Company's financial position and its cash flows. In addition, note 3 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and officers' liability insurance in respect of itself and its Directors.

Policy for payment of creditors
The Company's policy, which is also applied to the Group, is to agree terms and conditions for its business transactions with suppliers and endeavour to make payment to these terms, subject to the terms and conditions being met by suppliers. The Company does not follow a specific code or standard of payment practice.

At 31 January 2012 the Company's main suppliers, in respect of continuing activities, had an average of 38 days (2011: 61 days) purchases outstanding in trade payables.

At 31 January 2012 the Group's main suppliers, in respect of continuing activities, had an average of 41 days (2011: 29 days) purchases outstanding in trade payables.

Employees
The Group places considerable value on the involvement of its employees and has continued its practice of keeping them informed of matters affecting them as employees and the various factors affecting the performance of the Group.

The Directors recognise that continued and sustained improvement in the performance of the Group depends on its ability to attract, motivate and retain employees of the highest calibre. Furthermore, the Directors believe that the Group's ability to sustain a competitive advantage over the long term depends in a large part on ensuring that all employees contribute to the maximum of their potential. The Group is committed to improving the performance of all employees through development and training.

The Group is an equal opportunity employer. The Group's policies seek to promote an environment free from discrimination, harassment and victimisation and to ensure that no employee or applicant is treated less favourably on the grounds of gender, marital status, age, race, colour, nationality or national origin, disability or sexual orientation or is disadvantaged by conditions or requirements, which cannot objectively be justified. Entry into, and progression within the Group, is solely determined on the basis of work criteria and individual merit.

The Group continues to give full and fair consideration to applications for employment made by disabled persons, having regard to their respective aptitudes and abilities. The policy includes, where practicable, the continued employment of those who may become disabled during their employment and the provision of training and career development and promotion, where appropriate.

Donations
The Group and Company did not make any charitable donations in the year (2011: £nil).

Directors
The Directors who served the Company during the year or have been appointed thereafter, are shown below:

M Hanke
C Milverton
J Hill (resigned 28 November 2011)
M Yeoman (Non-Executive)
M Battles (Non-Executive)
N Snape (appointed 28 November 2011, resigned 14 June 2012)
M Sanderson (appointed (28 November 2011)
S Berry (Non-Executive) (appointed (28 November 2011)

At the forthcoming Annual General Meeting in accordance with the Company's Articles of Association S Berry and M Sanderson retire and offer themselves for re-election having been appointed since the last annual general meeting and M Battles will retire by rotation and being eligible, will offer himself for re-election.

Substantial interests

The Directors have been notified of the following substantial shareholdings in excess of 3% of the ordinary share capital of the Company as at 9 July 2012.

	No. or ordinary shares	Percentage
M Sanderson	*37,665,764*	*10.75%*
Hargreave Hale**	*33,841,875*	*9.66%*
M Hanke *	*29,157,458*	*8.31%*
Webb Capital Asset Management Limited	19,140,787	*5.46%*
I Stone***	*10,899,520*	*3.11%*

*	shares held by Lynchwood Nominees/Investor Nominees/Barclayshare Nominees (Paul Hanke)
**	shares held by HSBC Global Custody Nominee (UK)
***	shares held by TD Waterhouse Nominees
****	Shares held by The Bank Of New York (Nominees) Limited

Except as referred to above, the Directors are not aware of any person who was interested in 3% or more of the issued share capital of the Company or could directly or indirectly, jointly or severally, exercise control.

Directors' responsibilities statement in respect of the annual report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively; and

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Principal risks and uncertainties

For further details on principal risks and uncertainties, refer to the business and financial review on pages 5 to 13.

Financial instruments

Financial risk management objectives and policies

During the year the Group's principal financial instruments are bank loans, bank overdrafts and cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade receivables and trade payables which arise directly from its operations.

The main risks arising from the Group's financial instruments have been cash flow and fair value interest rate risk, credit risk, liquidity risk, price risk and capital risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Cash flow and interest rate risk
The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's exposure to risk for changes in interest rates related primarily to the Group's bank loan and overdraft obligations. Bank loan and overdraft interest is charged on a variable rate basis. The Group's exposure to interest rate risk is limited given the level of debt in place. Should substantial facilities be put in place in the future then the board will consider the impact of such facilities and whether it will be appropriate to hedge the interest rate risk.

Credit risk
The Group trades only with recognised, creditworthy third parties and independent credit checks and credit limits are managed by the trading entities. Credit limits can only be exceeded if authorised by the 1Spatial plc board. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Group.

Liquidity risk
The Group's objective is to maintain sufficient funds to support the ongoing strategic and trading activities of the Group. The detailed forecasting is carried out at local level in the operating companies of the Group. This is combined into a group cash flow forecast. The Group forecasts are compared to available facilities to ensure that sufficient headroom is anticipated.

Price risk
The main price risk that the Group is exposed to is changes in the price of third party software and maintenance that it uses in the solutions it supplies to customers. When quoting for business the Group always obtains fixed price quotations from suppliers before submitting a price to the customer.

Capital risk management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of return of capital and dividends paid to shareholders, issue new shares or sell assets/businesses to reduce debt. The Group monitors capital on the basis of the gearing ratio.

Disclosure of information to auditors
- so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware.
- each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors
In accordance with Section 489 of the Companies Act 2006, a resolution proposing that PricewaterhouseCoopers LLP be re-appointed will be proposed at the Annual General Meeting.

Annual general meeting
Notice of the annual general meeting to be held on 6 September 2012 is set out in the circular included with this document.

Signed by order of the board

…………………….
C Milverton (Director)
30 July 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 1SPATIAL PLC

We have audited the Group financial statements of 1Spatial plc for the year ended 31 January 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 16, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implication for our report.

Opinion on financial statements
In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 January 2012 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter
We have reported separately on the parent company financial statements of 1Spatial plc for the year ended 31 January 2012.

Miles Saunders (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
30 July 2012

1Spatial plc
Consolidated statement of comprehensive income
Year ended 31 January 2012

	Note	2012 £'000	2011 £'000
Revenue	5	5,228	2,631
Cost of sales		(3,373)	(1,940)
Gross profit		**1,855**	**691**
Administrative expenses		(3,454)	(8,465)
		(1,599)	(7,774)
Adjusted* EBITDA		(512)	(1,481)
Less: depreciation		(42)	(5)
Adjusted* EBITA		(554)	(1,486)
Less: amortisation and impairment of intangible assets		(505)	(4,788)
Less: strategic, integration and other one off items	7	(540)	(1,500)
Operating loss	6	**(1,599)**	**(7,774)**
Finance income	8	26	-
Finance costs	8	(20)	(27)
Net finance income/(cost)		6	(27)
Loss before tax		**(1,593)**	**(7,801)**
Income tax credit	9	173	159
Loss from continuing operations	5	**(1,420)**	**(7,642)**
Discontinued operations			
(Loss)/profit from discontinued operations	5	(54)	458
Gain on disposal of discontinued operations	22	464	-
Loss for the year	18	(1,010)	(7,184)
Other comprehensive income			
Exchange differences arising on translation of net assets of foreign operations	18	6	(61)
Gain on disposal of subsidiary undertaking	22	-	142
Other comprehensive income for the year, net of tax		6	81
Total comprehensive loss			
Loss for the year	18	(1,010)	(7,184)
Total comprehensive loss attributable to equity shareholders of the Company		**(1,004)**	**(7,103)**
Loss per ordinary share expressed in pence per ordinary share from continuing operations:			
Basic	24	(0.57)	(3.69)
Diluted	24	(0.57)	(3.69)
Loss per ordinary share expressed in pence per ordinary share from operations:			
Basic	24	(0.59)	(3.47)
Diluted	24	(0.59)	(3.47)

*Adjusted for strategic, integration and other one off items (note 7)

1Spatial plc
Consolidated statement of financial position **Registered number: 5429800**
As at 31 January 2012

	Notes	2012 £'000	2011 £'000
Assets			
Non-current assets			
Intangible assets including goodwill	10	9,735	3,014
Property, plant and equipment	11	244	19
Total non-current assets (excluding assets classified as held for sale)		9,979	3,033
Current assets			
Inventories		41	-
Trade and other receivables	12	5,551	1,042
Current income tax receivable		60	137
Cash and cash equivalents	13	2,734	419
Total current assets (excluding assets of disposal group classified as held for sale)		8,386	1,598
Assets of disposal group classified as held for sale	23	-	10,242
Total current assets		8,386	11,840
Total assets		18,365	14,873
Liabilities			
Current liabilities			
Trade and other payables	14	(6,018)	(3,271)
Current income tax liabilities		(92)	-
Borrowings	15	(51)	(44)
Total current liabilities (excluding liabilities of disposal group classified as held for sale)		(6,161)	(3,315)
Liabilities of disposal group classified as held for sale	23	-	(4,257)
Total current liabilities		(6,161)	(7,572)
Non-current liabilities			
Borrowings	15	(51)	(62)
Deferred tax	16	(1,035)	(232)
Total non-current liabilities		(1,086)	(294)
Total liabilities		(7,247)	(7,866)
Net assets		11,118	7,007
Share capital and reserves			
Share capital	17	12,556	11,335
Share premium account	17	6,455	6,455
Own shares held	17	(306)	(306)
Share based payment reserve	18	387	387
Merger reserve	18	13,900	10,006
Reverse acquisition reserve	18	(11,584)	(11,584)
Currency translation reserve	18	(33)	(39)
Accumulated losses	18	(10,257)	(9,247)
Total equity attributable to shareholders of the parent		11,118	7,007

The financial statements on pages 19 to 59 were approved and authorised for issue by the Board on 30 July 2012 and signed on its behalf by:

…………………………………..
C Milverton
Director

1Spatial plc
Consolidated statement of changes in equity
Year ended 31 January 2012

£'000	Share Capital	Share Premium Account	Own Shares Held	Share Based Payments Reserve	Merger Reserve	Reverse Acquisition Reserve	Currency Translation Reserve	Accumulated Losses	Total Equity
Balance at 1 February 2011	11,335	6,455	(306)	387	10,006	(11,584)	(39)	(9,247)	7,007
Comprehensive income									
Loss for the year	-	-	-	-	-	-	-	(1,010)	(1,010)
Other comprehensive income									
Exchange differences on translating foreign operations	-	-	-	-	-	-	6	-	6
Total other comprehensive income	-	-	-	-	-	-	6	-	6
Total comprehensive income	-	-	-	-	-	-	6	(1,010)	(1,004)
Transactions with owners									
Shares issued in the year (note 17)	1,221	-	-	-	-	-	-	-	1,221
Premium on issuance of shares to acquire subsidiary (note 18)	-	-	-	-	3,894	-	-	-	3,894
	1,221	-	-	-	3,894	-	-	-	5,115
Balance at 31 January 2012	12,556	6,455	(306)	387	13,900	(11,584)	(33)	(10,257)	11,118

£'000	Share Capital	Share Premium Account	Own Shares Held	Share Based Payments Reserve	Merger Reserve	Reverse Acquisition Reserve	Currency Translation Reserve	Accumulated Losses	Total Equity
Balance at 1 February 2010	7,162	6,463	-	951	4,830	(11,584)	22	(2,722)	5,122
Comprehensive income									
Loss for the year	-	-	-	-	-	-	-	(7,184)	(7,184)
Other comprehensive income									
Gain on disposal of subsidiary (note 22)	-	-	-	(122)	-	-	-	142	20
Exchange differences on translating foreign operations	-	-	-	-	-	-	(61)	-	(61)
Total other comprehensive income	-	-	-	(122)	-	-	(61)	142	(41)
Total comprehensive income	-	-	-	(122)	-	-	(61)	(7,042)	(7,225)
Transactions with owners									
Shares issued in the year	4,173	(8)	-	75	-	-	-	-	4,240
Premium on issuance of shares to acquire subsidiary	-	-	-	-	5,176	-	-	-	5,176
Transfer on lapse of share based payment	-	-	-	(517)	-	-	-	517	-
Shares held in treasury resulting from disposal of subsidiary (note 22)	-	-	(306)	-	-	-	-	-	(306)
	4,173	(8)	(306)	(442)	5,176	-	-	517	9,110
Balance at 31 January 2011	11,335	6,455	(306)	387	10,006	(11,584)	(39)	(9,247)	7,007

1Spatial plc
Consolidated statement of cash flows
Year ended 31 January 2012

	Notes	2012 £'000	2011 £'000
Cash flows from operating activities			
Cash used in operations	(a)	(3,225)	(604)
Interest received		26	-
Interest paid		(37)	(142)
Tax received/(paid)		232	(77)
Net cash used in operating activities		(3,004)	(823)
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash acquired)	21	661	2,291
Disposal of subsidiaries (net of cash disposal)		-	(405)
Cash received on disposal of subsidiary		5,189	-
Purchase of property, plant and equipment		(156)	(175)
Expenditure on product development		(476)	(185)
Proceeds from sale of property, plant and equipment		6	-
Net cash generated from investing activities		5,224	1,526
Cash flows from financing activities			
Increase/(decrease) in factoring account		121	(144)
Finance lease principal payments		-	(7)
Repayment of borrowings		(100)	(250)
Net cash generated/(used in) from financing activities		21	(401)
Net increase in cash and cash equivalents		2,241	302
Cash and cash equivalents at start of year		493	183
Effects of foreign exchange		-	8
Cash and cash equivalents at end of year	(b)	2,734	493
Classified as:			
Current assets		2,734	419
Assets held for sale (see note 23)		-	74

During the year the acquisition of 1Spatial Holdings Limited constituted material non-cash transactions. See note 21.

Cash flows from discontinued operations can be summarised for each of the main cash flow headings as follows:

	2012 £'000	2011 £'000
Cash flows from operating activities		
Net cash (used in)/generated from operating activities	(133)	(651)
Cash flows from investing activities		
Net cash used in investing activities generated from/(used in)	5,189	(571)
Cash flows from financing activities		
Net cash generated from/(used in) investing activities	121	(244)

Notes to the consolidated statement of cash flows

(a) Cash (used in)/generated from operations

	2012 £'000	2011 £'000
Continuing operations		
Loss before tax	(1,593)	(7,801)
Adjustments for:		
Depreciation charge	42	5
Amortisation and impairment	505	4,788
Inventories	(29)	-
(Increase)/Decrease in trade and other receivables	(1,073)	3,123
Decrease in trade and other payables	(961)	(1,268)
Finance cost - net	(6)	27
Foreign currency adjustment	6	-
Cash used in continuing operations	(3,109)	(1,126)
Discontinued operations		
Net loss before tax	(54)	348
Adjustments for:		
Depreciation charge	19	64
Amortisation and impairment	68	406
Increase in trade and other receivables	(137)	(489)
(Decrease)/increase in trade and other payables	(29)	78
Finance cost - net	17	115
Cash generated from discontinued operations	(116)	522
Cash used in operations	(3,225)	(604)

(b) Reconciliation of net cash flow to movement in net (debt)/funds

	2012 £'000	2011 £'000
Increase in cash in the year	2,241	302
Net cash inflow from increase in bank loans	100	250
Net cash (outflow)/inflow in respect of factoring	(121)	144
Cash outflow in respect of finance leases	-	7
Changes resulting from cash flows	2,220	703
Loans and finance leases acquired with subsidiary	(96)	-
Factoring account acquired with subsidiary	277	-
Effect of foreign exchange	-	-
Change in net funds/(debt)	2,401	703
Net (debt)/ funds at beginning of year	231	(480)
Net funds/(debt) at end of year	2,632	223
Analysis of net funds/(debt)		
Cash and cash equivalents classified as:		
- Current assets	2,734	419
- Assets held for sale	-	74
Factoring account	-	(156)
Bank loans and overdraft	-	(106)
Other loans	(102)	-
Net funds/(debt) at end of year	2,632	231

Notes to the financial statements
For the year ended 31 January 2012

1 General information

The consolidated financial statements of the Group for the year ended 31 January 2012 comprise 1Spatial plc ('the Company') and its subsidiaries (together 'the Group').

The principal activities of the Company and its subsidiaries are described within the Directors' report, pages 14 to 17.

The Company is a public limited company which is listed on the AIM London Stock Exchange and is incorporated and domiciled in the UK. The address of its registered office is Pannell House, Park Street, Guildford, Surrey, GU1 4HN.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently throughout the year except where otherwise indicated.

Basis of preparation

The consolidated financial statements of 1Spatial plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC (International Financial Reporting Interpretations Committee) interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement and complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Going Concern

Having considered the guidance given in the document Going Concern and Liquidity Risk: Guidance for Directors of UK Companies issued in October 2009 by the Financial Reporting Council, the Directors have formed a judgement that, at the time of approving these financial statements there is a reasonable expectation that the Group has adequate resources and likely income to continue in operational existence for the foreseeable future and therefore adopt the going concern basis for the financial statements.

Adoption of new and revised International Financial Reporting Standards (IFRS)

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in (ii) below.

(i) Standards and interpretations affecting amounts reported in the financial statements

- IAS 24 (revised), 'Related party disclosures' (effective periods beginning 1 January 2011). This revised standard removes the requirement for government related entities to disclose details of all transactions with the government and other government-related entities and it clarifies and simplifies the definition of a related party.

- Amendment to IFRS 1, 'First time adoption', on financial instrument disclosures (effective periods beginning 1 July 2010). This amendment provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7, Financial instruments: Disclosures', regarding comparative information for the new three-level classification disclosures.

- Annual improvements to IFRSs 2010 (effective 1 January 2011). This set of amendments includes changes to six standards and one IFRIC:

    - IFRS 1, 'First time adoption'.
    - IFRS 3, 'Business combinations'.
    - IFRS 7, 'Financial instruments: Disclosures'.
    - IAS 1, 'Presentation of financial statements'.
    - IAS 27, 'Separate financial statements'.
    - IAS 34, 'Interim financial reporting'.
    - IFRIC 13, 'Customer loyalty programmes'.

- IFRIC 19, 'Extinguishing financial liabilities with equity investments' (effective 1 July 2010). This interpretation clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.

- Amendment to IFRIC 14, 'Prepayments of a minimum funding requirement' (effective 1 January 2011) - This amendment will have a limited impact, as it applies only to entities that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', relating to voluntary pension pre-payments when there is a minimum funding requirement

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 February 2011

- Amendment to IFRS 7 'Financial instruments: Disclosures', effective on or after 1 July 2011, improving transparency in the reporting of transfer transactions and improve user's understanding of the risk exposures relating to transfer of financial assets and its effect on entity's financial position, particularly those involving securitisation of financial assets. Endorsed
- Amendment to IFRS 1, 'First time adoption', on fixed dates and hyperinflation. Not endorsed

- Amendment to IAS 12, 'Income taxes' on deferred tax. Not endorsed

- IAS 19, 'Employee benefits' was amended in June 2011. The impact on the Group will be: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). Endorsed

- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. Endorsed

- IFRS 9, 'Financial instruments', effective on or after 1 January 2013, addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. Not endorsed.

- IFRS 10, 'Consolidated financial statements', effective on or after 1 January 2013, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance in the determining the control.

- IFRS 11 'Joint Arrangement', effective on or after 1 January 2013, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. Proportional consolidation of joint ventures is not permitted.

- IFRS 12, 'Disclosures of interests in other entities', effective on or after 1 January 2013, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

- IFRS 13, 'Fair value measurement', effective on or after 1 January 2013, aims to improve consistency and reduce complexity by providing a precise definition of fair value, guidance on its application and a single source of fair value measurement and disclosure requirements for use across IFRSs.

- IAS 27 (revised 2011) 'Separate financial statements'

- IAS 28 (revised 2011) 'Associates and joint ventures'

- Amendment to IFRS 7, 'Financial instruments: Disclosures', on offsetting financial assets and financial liabilities

- Amendment to IAS 32, 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities. Not yet endorsed

- Amendment to IFRS 1,'First time adoption', on government loans. Not yet endorsed

- Annual improvements 2011 - It includes changes to: • IFRS 1, 'First time adoption'. • IAS 1, 'Financial statement presentation'. • IAS 16, 'Property plant and equipment'. • IAS 32, 'Financial instruments; Presentation'. • IAS 34, 'Interim financial reporting'. Not yet endorsed

Adoption of new and revised International Financial Reporting Standards (IFRS)

The accounting policies adopted in these consolidated financial statements are consistent with those of the annual financial statements for the year ended 31 January 2011, with the exception of the following standards, amendments to and interpretations of published standards adopted during the year:

(a) New and amended standards adopted by the Group

There have been only minor improvements to existing International Financial Reporting Standards and interpretations that are effective for the first time for the financial year beginning on or after 1 February 2011 which have been adopted by the Group with no impact on its consolidated results or financial position.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 February 2011 and not early adopted

- Amendment to IFRS 7 'Financial instruments: Disclosures'
- Amendment to IFRS 1, 'First time adoption', on fixed dates and hyperinflation.
- Amendment to IAS 12, 'Income taxes' on deferred tax.
- Amendment to IAS 19, 'Employee benefits'
- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income.
- IFRS 9, 'Financial instruments – classification and measurement'
- IFRS 10, 'Consolidated financial statements'
- IFRS 11 'Joint Arrangement'
- IFRS 12, 'Disclosures of interests in other entities'
- IFRS 13, 'Fair value measurement'
- IAS 27 (revised 2011) 'Separate financial statements'
- IAS 28 (revised 2011) 'Associates and joint ventures'
- Amendment to IFRS 7, 'Financial instruments: Disclosures', on offsetting financial assets and financial liabilities
- Amendment to IAS 32, 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities
- Amendment to IFRS 1,'First time adoption', on government loans.
- Annual improvements 2011 - It includes changes to: • IFRS 1, 'First time adoption'. • IAS 1, 'Financial statement presentation'. • IAS 16, 'Property plant and equipment'. • IAS 32, 'Financial instruments; Presentation'. • IAS 34, 'Interim financial reporting'. Not yet endorsed

Basis of consolidation

The results and net assets of all subsidiary undertakings acquired are included in the statement of comprehensive income and consolidated statement of financial position using the purchase method of accounting from the effective date at which control is obtained by the Group. Subsidiary undertakings cease to be consolidated from the date at which the Group no longer retains control, or from the date that the subsidiary is classified within disposal groups held for sale. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefits from their activities, and is achieved through direct or indirect ownership of voting rights or by way of contractual agreement. All inter-company balances and transactions are eliminated in full. Accounting policies of subsidiaries are changed where necessary to ensure consistent policies across the Group.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Where there is deferred consideration payable in cash, the amount is discounted to its present value. The present value of deferred cash consideration is included within the Group's financial statements as a liability. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Acquisition related costs are expensed as incurred.

Disposal groups – held for sale

Disposal groups are classified as assets held for sale when their carrying amount is to be recovered principally through a sales transaction and a sale is considered highly probable. They are at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the board of directors which makes the Group's strategic decisions.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in UK Sterling which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income in the period in which they arise.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within financial income or cost.

(c) Group Companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that balance sheet;
ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
iii) all resulting exchange differences are recognised as a separate component of equity.

(d) Goodwill and intangibles

Goodwill and intangibles adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is recognised when the risks and rewards of ownership have passed to the customer and shown net of Value Added Tax, rebates, discounts and after eliminating sales within the Group. Where a sale includes multiple elements, where the fair value of each element can be reliably valued, the elements are separated. Where this is not possible the revenue is spread over the period relating to the element with the longest recognition period.

The fair value of the revenue for each element of the arrangement is then accounted for in accordance with the policies described below.

Software Licence Revenue
Revenue is recognised when the software is delivered and accepted by the customer. Software revenue is recognised depending on licensing terms:

1. For a licence in perpetuity, where there are no further obligations and there is determination that collection of fee is reasonably assured, the revenue is recognised at the time the licence is delivered and
2. For a licence that has a fixed term, where there are further obligations the revenue is recognised over the term of the licence.

Support and Maintenance
Where the support and maintenance is sold for a fixed term and there is a continuing performance obligation, then the revenue is deferred and recognised over the term of the agreement on a straight line basis.

Where fees for support and maintenance are bundled with the license fee, they are unbundled using the Groups objective evidence of the fair value of the elements represented by the Groups customary pricing for each element in separate transactions.

Professional Services
Revenue is recognised as the work is carried out and the Group has the contractual right to receive the consideration.

Software Development Services

Revenue is recognised upon stage of completion of the software project. The percentage of completion of the project is arrived at by a considered objective review as to the work that has been carried out, against that which is yet to be completed, to allow the project to be delivered to the customer. These reviews are carried out throughout the project.

Interest income
Interest income is recognised on an accruals basis.

Deferred costs and deferred revenues

To the extent that the cost and revenue recognition differs from the contractual billing terms, costs are included in deferred costs or accruals and revenue is included in accrued income or deferred income.

Pre contract costs

Costs which relate directly to a contract and which are incurred once the award of the contract is probable, but prior to its award, are capitalised and written off over the period of the contract to match the expected profit profile.

Strategic integration and other one off items

The Group has certain strategic, integration and other one off items e.g. acquisition costs, compromise agreements and redundancy payments. Management has disclosed these separately to enable a greater understanding of the underlying profitability/(loss) of the trading business so that the underlying run rate of the businesses can be established and compared on a like for like basis each year.

The policy of the Group is to separately disclose the following:

- Strategic costs e.g. costs of due diligence on acquisitions which cannot be capitalised under IFRS 3 (revised) and costs of other strategic items such as aborted due diligence costs.
- Integration costs, such as duplicated costs, or redundancy and compromise payment costs.
- One off items that will affect the underlying profitability of the business.

Adjusted profit is the profit prior to the charge of strategic, integration and other one off items.

Current and deferred income tax

The tax charge for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

A deferred tax liability is provided on intangible assets acquired as part of a business combination. This results in an increase in residual goodwill by the same amount. This liability has been recognised in accordance with IAS12, and a proportion will be amortised. This liability is only payable if the intangible asset is sold separately and this is not expected to happen.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates and laws that have been enacted or substantially enacted by the end of the financial year. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the financial year, to recover or settle that carrying amount of its assets and liabilities.

Intangible assets

(a) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the excess is recognised immediately in profit and loss as a bargain purchase gain. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Any impairment is charged to the statement of comprehensive income and is not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units ("CGU's") for the purpose of impairment testing. The allocation is made to those CGU's that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

(b) Other intangible assets

Other intangible assets are carried at cost less accumulated amortisation and impairment losses.

An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

Expenditure on internally developed intangible assets, excluding development costs, is taken to the statement of comprehensive income in the year in which it is incurred. Development expenditure is recognised as an intangible asset only after its reliable measurement, technical feasibility and commercial viability can be demonstrated. The types of costs capitalised include employee costs and subcontractor costs directly associated with development activity.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in the statement of comprehensive income in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated impairment losses. Internally generated intangibles assets consist of development costs.

Intangible assets with a finite life are amortised on a straight line basis over their expected useful lives, as follows:

- Brands – 5 to15 years
- Customer contracts and related relationships – 5 to 10 years
- Software and intellectual property – 3 to 10 years
- Development costs – 3 years

Impairment and amortisation charges are included within the administrative expenses line in the statement of comprehensive income.

Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation. These are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided at rates calculated to write off the cost or valuation of property, plant and equipment, less their estimated residual value over their expected useful lives on the following basis:

Leasehold property improvements	-	straight line over period of lease
Motor vehicles	-	33% per annum – straight line
Fixtures, fittings and equipment	-	20% to 33% per annum – straight line

The Directors annually review the residual value and estimated useful lives of the property, plant and equipment.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's financial assets comprise 'trade and other receivables' and cash and cash equivalents in the statement of financial position.

(a) Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less they are classified as current assets. If not, they are presented as non current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the provision for impairment of trade receivables, and the amount of the loss is recognised in the statement of comprehensive income within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the statement of comprehensive income.

(b) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise readily accessible cash at bank and in hand.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial liabilities

The Group classifies its financial liabilities as trade and other payables and borrowings according to the substance of the contractual arrangements entered into.

(a) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within 12 months or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

All borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost; any difference between the proceeds and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of a liability for at least 12 months after the balance sheet date.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares, share options or share warrants are shown in equity as a deduction, net of tax, from the proceeds.

Employee benefits

(a) Pensions

Pension contributions made into personal or company pension schemes, which are defined contribution schemes, are charged to the statement of comprehensive income as incurred.

(b) Share based payments

The Group operates a number of equity-settled, share-based payment compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee service received in exchange for the grant of the options is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

Where options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Leases

Assets held under leases that result in group companies receiving substantially all the risks and rewards of ownership are classified as finance leases and capitalised as property, plant and equipment at the lower of cost and the estimated present value of the underlying lease payments. The interest element of the rental obligation is allocated to the accounting periods to reflect a constant rate of interest on the outstanding obligation. The corresponding finance lease obligation is included within payables. These assets are depreciated over the term of the lease or the estimated useful life of the asset, whichever is shorter.

Rentals under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

3 Financial instruments

Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign currency risk, market risk (including cash flow and fair value interest rate risk), credit risk and liquidity risk.

Risk management is carried out by the finance team under policies approved by the board of directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, foreign exchange risk and use of derivative financial instruments and non-derivative financial instruments.

(a) Foreign currency risk

The Group operates internationally and is exposed to limited foreign exchange risk arising from various currency exposures. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

During the year, the Group had operating subsidiaries in Australia, the Netherlands and Ireland, whose revenues and expenses are respectively denominated in Australian Dollars and Euros.

The Sterling balance sheet is exposed to potential foreign currency losses on translation of the net assets of these subsidiaries. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting year are as follows:

	Net Assets	
	At 31 January 2012 CU'000	**At 31 January 2011 CU'000**
Euros	1,905	12
Australian Dollars	(240)	-
US Dollars	146	-
Canadian Dollars	(17)	-
New Zealand Dollars	14	-
Malaysian Ringgits	59	-
South African Rands	324	-

The following table details the Group's sensitivity to a 10% strengthening of the currency unit (CU) against Sterling. The sensitivity adjusts their translation at the year end.

	Australian Dollar currency impact		**Euro currency impact**	
	At 31 January 2012 CU'000	**At 31 January 2011 CU'000**	**At 31 January 2012 CU'000**	**At 31 January 2011 CU'000**
Profit or (loss)	53	-	(8)	1
Net (liabilities)/assets	70	-	(40)	(1)

The Board do not consider it appropriate to borrow in Australian Dollars or Euros in order to hedge against this translation risk as they consider any hedging benefits would be outweighed by the creation of an interest rate risk on the borrowings.

(b) Cash flow and fair value interest rate risk

The Group's exposure to risk for changes in interest rates related primarily to the Group's other borrowings relating to a loan provided by the previous owners of 1Spatial Australia Pty. Interest is charged at a fixed rate of 5% therefore its exposure to interest rate risk is limited given the level of debt in place.

Financial Liabilities	At 31 January 2012 £'000	At 31 January 2011 £'000
Fixed rate	102	-
Variable rate	-	262
	102	262

There is no interest on trade and other payables at 31 January 2012.

Sensitivity analysis

Any changes in the base rate in the UK will not impact the borrowings.

The Group does not consider the cash flow and fair value interest rate risk to be significant. Should substantial debt be put in place in the future the Board will consider whether it would be appropriate to hedge the cash flow and interest rate risk. However, no such instrument has been taken out in the current or prior year. The Board will continue to keep this position under review.

Financial Assets	At 31 January 2012 £'000	At 31 January 2011 £'000
Cash at bank	2,734	419

At 31 January 2012, the Group had Sterling cash of £1,735,000 (2011: £419,000), Australian cash of AUS$172,000 (2011: Nil), Euro cash of €820,000 (2011: €14,000) and US$11,000 (2011: $3,000). Cash is placed upon deposit at the best market rates available should an excess above that required for working capital be held.

Other financial assets comprise trade receivables and other receivables as detailed in note 12.

(c) Credit risk

Credit risk is managed by the trading entities. Credit risk arises from exposures to outstanding customer receivables. Credit checking is used however, if there is no independent rating, management will assess the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board.

Credit risk also arises from cash and cash equivalents with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

The table below shows the ageing of customer receivables at the balance sheet date (shown net of provision of impairment).

	2012 £'000	2011 £'000
Current	1,656	383
Up to 3 months overdue	685	73
3 to 6 months overdue	57	7
6 to 12 months overdue	176	-
> 12 months overdue	9	11
	2,583	474

Refer to note 12 for further details.

(d) Liquidity risk

Liquidity is managed so that sufficient funds are maintained to support the ongoing strategic and trading activities of the Group.

Management monitors rolling forecasts of the Group's expected cash flow. The detailed forecasting is carried out at local level in the operating companies of the Group. This is combined into a group cash flow forecast.

The table below analyses the Group's financial liabilities (excluding Inca in 2011) into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 January 2012	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
Borrowings	51	51	-
Trade and other payables*	4,228	-	-
	4,279	51	-

At 31 January 2011	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
Borrowings	44	62	-
Trade and other payables*	2,480	-	-
	2,524	62	-

*Excludes deferred income as not a financial liability as there is no obligation to pay cash.

(e) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders and return of capital to shareholders, issue new shares or sell assets/businesses to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net funds/(debt) divided by total capital. Net funds/(debt) is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position sheet plus net debt.

During 2012, the Group's strategy, which was unchanged from 2011, was to maintain the gearing ratio below 50%.

	2012 £'000	2011 £'000
Capital risk management		
Total borrowings	102	106
Less: cash and cash equivalents	(2,734)	(419)
Net (funds)/debt	(2,632)	(313)
Total equity	11,118	7,007
Total capital	8,486	6,694

Gearing ratio **Not applicable**

There is no gearing at 31 January 2012 or 31 January 2011 as the Company had more cash and cash equivalents than borrowings at this date.

(f) Market risk

The main market risk that the Group is exposed to is changes in the price of third party software support and maintenance that it uses in the solutions it supplies to customers. When quoting for business the Group always obtains fixed price quotations from suppliers before submitting a price to the customer.

4 Significant accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue recognition
The contractual arrangements of sales are often complex with multiple elements e.g. software and maintenance. Management has to make appropriate judgements and estimates in relation to the fair value of each of these elements in accordance with the guidance set out in IAS 18.

Where a project extends over a time period, management make a judgement on the fair value of the work completed in order to be able to recognise revenue in relation to the project in the correct periods. An objective review of each project is undertaken on an individual basis and management's best judgement is used as the basis of completion of the project, thereby defining levels of revenue recognised.

Allocation of fair value – when a bundled service is sold the Group uses critical judgement to unbundle the service and recognise elements of revenue separately as shown in the revenue recognition policy in note 2.

Pre contract costs
Management have to make a judgement over whether the award of a contract is probable or not in order to assess whether pre contract costs are recognised as an asset prior to the award of a contract.

Impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use. Management have also had to make significant estimates and judgements when putting together the budgets and projections which are used in the value in use calculations. These judgements are mainly in relation to projected revenues and margins. Refer to note 10 for further details of the impairment charge in the year.

Valuation of intangible assets
Management have to make a number of estimates and judgements when valuing intangible assets. For example, expected growth rates, attrition rates, useful economic lives and royalty rates.

Share-based payments
The Company issues share-based payments to certain employees. The fair value and the vesting periods use management assumptions in their calculation. While management believes that the assumptions used are appropriate, a change in the assumptions used would impact the results of the Company. Refer to note 19 for further details of share based payments.

5(a) Segmental information

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions.

The United Kingdom is the home country of the Group. For management purposes during the year, the Group was organised into four operating divisions – Head Office, Avisen, Storage Fusion and 1Spatial. These divisions are the basis on which the Group reports its segmental information. Where applicable, the reportable operating segments derive their revenue primarily from the sale of consultancy and software.

The Board assesses the performance of the operating segments based on a measure of adjusted EBITDA and adjusted EBITA. This measurement basis excludes the effects of strategic, integration and other one off items from the operating segments.

The segment information provided to the Board for the reportable segments for the year ended 31 January 2012 is as follows:

31 January 2012	Head Office £'000	Avisen £'000	Storage Fusion £000	1Spatial £'000	Total £'000
Continuing operations					
Revenue	-	3,305	390	1,533	5,228
Less intersegment sales	-	-	-	-	-
Total revenue from third parties	-	3,305	390	1,533	5,228
Cost of sales	-	(2,595)	-	(778)	(3,373)
Gross profit	-	710	390	755	1,855
Total administrative expenses	(1,661)	(410)	(847)	(536)	(3,454)
Adjusted EBITDA	(1,134)	305	(13)	330	(512)
Less: depreciation	(11)	(7)	(13)	(11)	(42)
Adjusted EBITA	(1,145)	298	(26)	319	(554)
Less: amortisation and impairment of intangible assets	-	(8)	(431)	(66)	(505)
Less: strategic, integration and other one-off items	(516)	10	-	(34)	(540)
Total operating (loss)/profit	(1,661)	300	(457)	219	(1,599)
Finance income	17	8	-	1	26
Finance cost	(5)	(3)	(1)	(11)	(20)
Net finance income/(cost)	12	5	(1)	(10)	6
(Loss)/profit before tax	(1,649)	305	(458)	209	(1,593)
Tax credit	-	43	129	1	173
(Loss)/profit for the year from continuing operations	(1,649)	348	(329)	210	(1,420)

	Inca £000	South Africa £’000	Total £'000
Discontinued operations			
Revenue	1,145	-	1,145
Less intersegment sales	-	-	-
Total revenue from third parties	1,145	-	1,145
Cost of sales	(722)	-	(722)
Gross profit	423	-	423
Total administrative expenses	(415)	(45)	(460)
Adjusted EBITDA	95	-	95
Less: depreciation	(19)	-	(19)
Adjusted EBITA	76	-	76
Less: amortisation and impairment of intangible assets	(68)	-	(68)
Less: strategic, integration and other one-off items	-	(45)	(45)
Total operating profit/(loss)	8	(45)	(37)
Finance income	-	-	-
Finance cost	(17)	-	(17)
Net finance cost	(17)	-	(17)
Loss before tax	(9)	(45)	(54)
Tax credit	-	-	-
Loss for the year from discontinued operations	(9)	(45)	(54)

31 January 2012	Head Office £'000	Avisen £'000	Storage Fusion £’000	1Spatial £’000	Total £'000
Segment assets	2,352	4,208	2,320	9,485	18,365
Segment liabilities	(2,132)	(587)	(343)	(4,185)	(7,247)
Segment net assets/(liabilities)	220	3,621	1,977	5,300	11,118

31 January 2011	Head Office £'000	Avisen £'000	Storage Fusion £’000	Total £'000
Continuing operations				
Revenue	-	2,597	230	2,827
Less intersegment sales	-	(196)	-	(196)
Total revenue from third parties	-	2,401	230	2,631
Cost of sales	-	(1,940)	-	(1,940)
Gross profit	-	461	230	691
Total administrative expenses	(7,221)	(559)	(685)	(8,465)
Adjusted EBITDA	(1,293)	(61)	(127)	(1,481)
Less: depreciation	-	-	(5)	(5)
Adjusted EBITA	(1,293)	(61)	(132)	(1,486)
Less: amortisation and impairment of intangible assets	(4,500)	(25)	(263)	(4,788)
Less: strategic, integration and other one-off items	(1,428)	(12)	(60)	(1,500)
Total operating loss	(7,221)	(98)	(455)	(7,774)
Finance income	-	-	-	-
Finance cost	(7)	(20)	-	(27)
Net finance cost	(7)	(20)	-	(27)
Loss before tax	(7,228)	(118)	(455)	(7,801)
Tax credit	-	137	22	159
(Loss)/profit for the year from continuing operations	(7,228)	19	(433)	(7,642)

Although South Africa did not meet the definition of an operating segment at year end, its results are shown below for comparative purposes.

	Inca £'000	South Africa £'000	Total £'000
Discontinued operations			
Revenue	9,095	643	9,738
Less: intersegment sales	(19)	(9)	(28)
Total revenue from third parties	9,076	634	9,710
Cost of sales	(5,551)	(664)	(6,215)
Gross profit/(loss)	3,525	(30)	3,495
Total administrative expenses	(2,858)	(179)	(3,037)
Other operating income	4	1	5
Adjusted EBITDA	1,373	(208)	1,165
Less: depreciation	(64)	-	(64)
Adjusted EBITA	1,309	(208)	1,101
Less: amortisation and impairment of intangible assets	(406)	-	(406)
Less: strategic, integration and other one-off items	(232)	-	(232)
Total operating profit/(loss)	671	(208)	463
Finance income	-	-	-
Finance cost	(115)	-	(115)
Net finance cost	(115)	-	(115)
Profit/(loss) before tax	556	(208)	348
Tax	110	-	110
Post tax profit/(loss) from discontinued activities	666	(208)	458

31 January 2011	Head Office £'000	Avisen £'000	Storage Fusion £'000	Inca £'000	Total £'000
Segment assets	367	2,127	2,137	10,242	14,873
Segment liabilities	(2,911)	(915)	(204)	(3,836)	(7,866)
Segment net (liabilities)/assets	(2,544)	1,212	1,933	6,406	7,007

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Board is measured in a manner consistent with that in the statement of comprehensive income.

The amounts provided to the Board in the year ended 31 January 2012 with respect to total assets and total liabilities are measured in a manner consistent with that of the financial statements. Assets are allocated based on the operations of the segment and the physical location of the asset. Liabilities are allocated based on the operations of the segment.

The Group's operations are located in the UK, Ireland, Australia and Europe. The following table provides an analysis of the Group's sales by geographical market.

	2012 £'000	2011 £'000
Continuing operations		
United Kingdom	3,971	2,256
Europe	1,065	68
Rest of World	192	307
	5,228	2,631
Discontinued operations		
United Kingdom	1,145	8,799
Europe	-	277
Rest of World	-	634
	1,145	9,710

The following table represents major customers where revenues earned exceed 10% of the Group's revenue.

	Operating segment	2012 £'000	2011 £'000
Customer 1	Avisen	2,767	843
Customer 2	Avisen	8	911

6(a) Operating loss

Continuing operations	**Continuing operation 2012 £'000**	Continuing operation 2011 £'000	**Discontinued operations 2012 £'000**	Discontinued operations 2011 £'000	**Total 2012 £'000**	Total 2011 £'000
Loss for the year is stated after charging:						
Wages and salaries	2,346	1,629	211	3,492	2,557	5,121
Social security costs	265	185	24	353	289	538
Pension costs	121	21	3	29	124	50
Staff costs including executive directors and compromise agreements	2,732	1,835	238	3,874	2,970	5,709
Depreciation of property, plant and equipment:						
- owned assets	42	5	19	64	61	69
Amortisation of intangible assets	480	271	68	406	548	677
Impairment of intangible assets	25	4,517	-	-	25	4,517
Net foreign exchange losses/(gains)	121	(21)	-	2	121	(19)
Auditors remuneration:						
Fees payable to the Company's auditor for the audit of the parent company and consolidated financial statements	24	21	-	-	24	21
Fees payable to the Company's auditor and its associates for other services:						
- The audit of the Company's subsidiaries pursuant to legislation	52	45	-	-	52	45
- Other services pursuant to legislation	-	-	-	-	-	-
Hire purchase	-	-	-	17	-	17
Operating lease payments	150	106	-	159	150	265

6(b) Average monthly number of personnel employed (including executive directors)

	Continuing operation 2012	Continuing operation 2011	**Discontinued operations 2012**	Discontinued operations 2011	**Total 2012**	Total 2011
Directors	3	4	-	1	3	5
Consultants	9	5	3	18	12	23
Sales and marketing	4	3	2	14	6	17
Administration	4	2	1	6	5	8
Support	2	-	1	6	3	6
Software developers	14	6	-	-	14	6
	36	20	7	45	43	65

6(c) Directors emoluments

Details of individual executive directors' remuneration for the year are as follows:

	2012	2011
	£'000	£'000
Total executive directors emoluments	914	1,439

The individual emoluments which correspond to the Directors in the current year are as follows, with the comparative shown for those directors only:

	Emoluments and compensation	Pension contributions and share options	Total 2012	Emoluments and compensation	Pension contributions and share options	Total 2011
	£'000	£'000	£'000	£'000	£'000	£'000
M Hanke* (note c)	412	-	412	180	-	180
I Smith	-	-	-	366	-	366
T Weaver	-	-	-	308	-	308
L Peacock	-	-	-	17	-	17
R Arrowsmith	-	-	-	126	-	126
C Milverton* (note c)	161	48	209	125	-	125
K Jones	-	-	-	175	-	175
J Hill (note b, c, d)	242	-	242	142	28	170
N Snape (note a)	19	5	24	-	-	-
M Sanderson* (note a)	17	10	27	-	-	-
	851	63	914	1,439	28	1,467

*Current executive director team.
Note a – Appointed on 28 November 2011.
Note b – Resigned on 28 November 2011.
Note c – Includes one-off bonuses in relation to the disposal of Inca Software. These costs are within discontinued activities.
Note d - 2011 includes emoluments received in the period prior to being appointed as a director.

Included within the total emoluments and compensation figure is £nil (2011: £911,000) in relation to compensation for loss of office.

No directors as at 31 January 2012 and 2011 were accruing benefits under a money purchase scheme.

The emoluments of the highest paid director were as follows:

	2012	2011
	£'000	£'000
Salaries and other short term benefits	412	366

No director exercised any share options in 2012 or 2011.

Details of individual non-executive directors' fees for the year are as follows:

	2012 Fees	2011 Fees
	£'000	£'000
J Claydon	-	29
M Yeoman	88	48
M Frank	-	4
M Battles	38	18
S Berry	4	-
	130	99

The non-executive directors invoice for their services, which are paid to their personal consultancy businesses.

There are no other personnel that meet the definition of key management personnel under IAS 24, other than the directors, in 2012. 2011 key management included:

	Emoluments and compensation	**Share options and other long term incentive schemes**	**Pension contributions**	**Total 2011**
	£'000	**£'000**	**£'000**	**£'000**
I Stone	151	-	4	155

7 Strategic, integration and other one off items

In accordance with the Group's policy for strategic, integration and other one off items, the following charges were included in this category for the year:

	2012	**2011**
Continuing operations	**£'000**	**£'000**
Strategic costs	301	496
Costs of duplication and integration	239	1,004
Total - continuing operations	540	1,500
Discontinued operations:		
Strategic costs	45	-
Costs of duplication and integration	-	232
Total – discontinued operations	45	232
Total	585	1,732

The strategic costs in 2012 relate to the acquisition costs of the 1Spatial Business. The costs of duplication and integration mainly relate to staff and other associated costs in relation to the integration and reorganisation of the 1Spatial Business following the acquisition.

8 Finance income and costs

	Continuing operations 2012 £'000	Continuing operations 2011 £'000	**Discontinued operations 2012 £'000**	Discontinued operations 2011 £'000	**Total 2012 2012 £'000**	Total 2011 £'000
Finance income						
Bank interest receivable	**26**	-	**-**	-	**26**	-
	26	-	**-**	-	**26**	-
Finance costs						
Interest expense						
- bank borrowings (including overdrafts)	**(10)**	(8)	**-**	-	**(10)**	(8)
- hire purchase and finance leases	**(2)**	-	**-**	(1)	**(2)**	(1)
- other interest	**-**	(9)	**-**	(4)	**-**	(13)
- factoring and bank charges	**(8)**	(10)	**(17)**	(110)	**(25)**	(120)
	(20)	(27)	**(17)**	(115)	**(37)**	(142)
Net finance income/(cost)	**6**	(27)	**(17)**	(115)	**(11)**	(142)

9 Income tax credit

	2012	2011
	£'000	£'000
Continuing operations		
Current tax	-	-
Adjustment in respect of prior years	(150)	(137)
Deferred tax (note 16)	(23)	(22)
Current tax credit	(173)	(159)
Discontinued operations		
Current tax	-	-
Deferred tax (note 16)	-	(110)
Total tax credit	(173)	(269)

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the consolidated entities as follows:

	2012	2011
	£'000	£'000
Loss before tax – continuing operations	(1,593)	(7,801)
Profit/(loss) before tax – discontinued operations	410	348
	(1,183)	(7,453)
Loss before tax multiplied by the average effective rate of tax in the UK of 26.33% (2011: 27%)	(311)	(2,012)
Effect of:		
Expenses not deductible for tax purposes	1,325	997
Income not taxable	(1,433)	(15)
Capital allowances in excess of depreciation	4	(266)
Tax losses not utilised	546	1,185
Relief for gain on sale	(122)	(44)
Other timing differences	(15)	41
Adjustments to tax charge in respect of previous periods	(150)	(137)
Impact of change in tax rate	(17)	(18)
	(173)	(269)

During the year there was a change in the UK main corporation tax rate to 26%, which was substantially enacted on 29 March 2011 and was effective from 1 April 2011. A reduction to 25% was substantively enacted on 5 July 2011 and will be effective from 1 April 2012. Further reductions to the UK corporation tax rate were announced in the March 2011 Budget. The changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 23% by 1 April 2014.

10 Intangible assets including goodwill

At 31 January 2012	Goodwill £'000	Brands £'000	Customers and related contracts £'000	Software £'000	Development costs £'000	Website costs £'000	Total £'000
Cost							
At 1 February 2011	12,849	252	1,852	944	595	-	16,492
Additions	100	-	-	34	412	30	576
Acquisition of subsidiary	3,346	232	899	2,171	-	-	6,648
Disposals	(6,193)	(252)	(1,852)	-	-	-	(8,297)
At 31 January 2012	**10,102**	**232**	**899**	**3,149**	**1,007**	**30**	**15,419**
Accumulated impairment and amortisation							
At 1 February 2011	4,500	53	545	243	438	-	5,779
Impairment	-	-	-	-	-	25	25
Amortisation	-	10	85	351	97	5	548
Disposals	-	(59)	(609)	-	-	-	(668)
At 31 January 2012	**4,500**	**4**	**21**	**594**	**535**	**30**	**5,684**
Net book amount at 31 January 2012	**5,602**	**228**	**878**	**2,555**	**472**	**-**	**9,735**

At 31 January 2011	Goodwill £'000	Brands £'000	Customers and related contracts £'000	Software £'000	Development costs £'000	Total £'000
Cost						
At 1 February 2010	7,417	252	1,852	23	410	9,954
Additions	5,632	-	-	921	185	6,738
Disposals	(200)	-	-	-	-	(200)
At 31 January 2011	**12,849**	**252**	**1,852**	**944**	**595**	**16,492**
Accumulated impairment and amortisation						
At 1 February 2010	-	17	175	-	393	585
Impairment	4,500	-	-	-	17	4,517
Amortisation	-	36	370	243	28	677
Disposals	-	-	-	-	-	-
At 31 January 2011	**4,500**	**53**	**545**	**243**	**438**	**5,779**
Net book amount at 31 January 2011	**8,349**	**199**	**1,307**	**701**	**157**	**10,713**
Classified as follows:						
Current assets	2,156	-	-	701	157	3,014
Assets held for sale (see note 23)	6,193	199	1,307	-	-	7,699

The net book amount of development costs includes £472,000 (2011: £157,000) internally generated capitalised software development costs that meet the definition of an intangible asset.

The amortisation charge of £548,000 (2011: £677,000) and the impairment charge of £25,000 (2011: £4,517,000) are included in the administrative expenses in the income statement. The impairment in 2011 represented the view of the Directors in relation to the financial prospects of Xploite plc.

Impairment tests for goodwill and intangibles

Goodwill is allocated to the Group's cash-generating units (CGUs) identified. The basis of the allocation is made to those CGU's that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment. A summary of the goodwill allocation is presented below.

	2012				2011			
	Avisen	1Spatial	Storage Fusion	Total	Avisen	Inca	South Africa	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Goodwill	1,032	3,338	1,232	5,602	1,024	6,193	1,132	8,349

Basis for calculation of recoverable amount

The Group has prepared, and formally approved, a two year plan for each CGU. The detailed plan put together by the management team and the Board makes judgements and assessments on revenue and gross profit expectations. This is from both contracted and pipeline revenue streams. It also takes account of historic success of winning new work.

The key assumptions used in the value in use calculations are set out below:

	Year ended Jan-13	Year ended Jan-14	Year ended Jan-15	Subsequent Years
Avisen				
Revenue growth/(decrease) rate on prior year	(16%)	N/A	N/A	N/A
Increase/(decrease) in overhead costs on prior year	95%	N/A	N/A	N/A
EBIT Growth rates (on prior year)	67%	5%	5%	2%
Discount rate	17%	17%	17%	17%
1Spatial				
Revenue Growth rates (on prior year)	19%	N/A	N/A	N/A
Increase/(decrease) in overhead costs	(14)%	N/A	N/A	N/A
EBIT Growth rates (on prior year)	145%	64%	5%	2%
Discount rate	17%	17%	17%	17%
Storage Fusion				
Revenue Growth rates (on prior year)	89%	N/A	N/A	N/A
Increase in overhead costs	11%	N/A	N/A	N/A
EBIT Growth rates (on prior year)	N/A	35%	5%	2%
Discount rate	20%	20%	20%	20%

The rates used in the above assumptions are consistent with management's knowledge of the industry. The initial EBIT growth rate for Avisen and 1Spatial (compared to the current year) are higher than a business in the same sector, mainly as a result of cost reductions. Growth in revenues of 19% within the 1Spatial business is anticipated as a result of management's strategy going forward.

Storage Fusion's revenues forecast are higher than a business in the same sector as Storage Fusion is still in a potentially high growth 'Start up' phase. The assumptions noted above for January 2013 have been given in terms of revenue and overhead percentage growth on 2012 as the 2012 EBIT figure was a loss. For 2014, 2015 and subsequent years, the assumption has been provided in terms of growth on the prior year EBIT margin.

The growth rate for subsequent years of 2% does not exceed the long-term growth rate for the business in which the CGU operates. Discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

The forecasts, are most sensitive to changes in revenue and overhead assumptions. A 5% decrease in revenues or a 5% increase in overheads has the following impact on Avisen and Storage Fusion.

	(Impairment)/Headroom	
	Revenue	**Overheads**
	5%	**5%**
	£'000	**£'000**
Avisen	(452)	346
Storage Fusion	(395)	(129)

There would have to be a reduction in forecast revenue of 12% in both years ended 31 January 2013 and 2014 for the headroom to be removed on 1Spatial.

11 Property, plant and equipment

	Leasehold property improvements	**Motor vehicles**	**Fixtures, fittings and equipment**	**Total**
At 31 January 2012	**£'000**	**£'000**	**£'000**	**£'000**
Cost				
At 1 February 2011	29	-	303	332
Additions	8	70	78	156
Disposals	-	-	(83)	(83)
Acquisition of subsidiary (note 21)	58	-	60	118
Disposal of subsidiaries	(29)	-	(220)	(249)
At 31 January 2012	**66**	**70**	**138**	**274**
Accumulated depreciation and impairment				
At 1 February 2011	15	-	150	165
Charge for year	5	7	49	61
Disposals	-	-	(77)	(77)
Disposal of subsidiaries	(16)	-	(103)	(119)
At 31 January 2012	**4**	**7**	**19**	**30**
Net book amount at 31 January 2012	**62**	**63**	**119**	**244**

At 31 January 2011	Leasehold property improvements £'000	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost				
At 1 February 2010	26	-	209	235
Additions	5	-	170	175
Disposals	-	(66)	(33)	(99)
Acquisition of subsidiary	-	66	18	84
Disposal of subsidiaries	(2)	-	(61)	(63)
At 31 January 2011	**29**	**-**	**303**	**332**
Accumulated depreciation and impairment				
At 1 February 2010	9	-	125	134
Charge for year	6	-	63	69
Disposals	-	-	(30)	(30)
Disposal of subsidiary	-	-	(8)	(8)
At 31 January 2011	**15**	**-**	**150**	**165**
Net book amount at 31 January 2011	**14**	**-**	**153**	**167**
Classified as follows:				
Non-current assets	-	-	19	19
Assets held for sale (see note 23)	14	-	134	148

Depreciation expense of £61,000 (2011: £69,000) has been charged in administrative expenses.

12 Trade and other receivables

Current	2012 £'000	2011 £'000
Trade receivables	2,693	614
Less: Provision for impairment of trade receivables	(110)	(140)
	2,583	474
Other receivables	2,294	281
Prepayments	674	287
	5,551	1,042

The fair value of the Group's trade receivables and other receivables is the same as its book value stated above. No interest is charged on overdue receivables.

At 31 January 2012, trade receivables of £2,583,000 (2011: £474,000) were fully performing. The Group has provided fully for all receivables which are not considered recoverable.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

Other receivables include £1,300,000 due in relation to the disposal of the Inca business which was received in April 2012.

At 31 January 2012, trade receivables of £533,000 (2011: £71,000) were past due but not impaired. The ageing analysis of these customers is set out below. The balances relate to customers where there is no history of default and management believe that the receivables balance will be paid.

	2012	2011
	£'000	£'000
Up to 3 months overdue	319	60
3 to 6 months overdue	57	-
6 to 12 months overdue	148	-
> 12 months overdue	9	11
	533	71

As of 31 January 2012, trade receivables of £110,000 were impaired (2011: £140,000) and provided for. The provision relates to a number of small receivables.

The ageing of these receivables are as follows:

	2012	2011
	£'000	£'000
Current	-	-
Up to 3 months overdue	-	-
3 to 6 months overdue	-	-
6 to 12 months overdue	110	65
> 12 months	-	75
	110	140

Movements on the Group provision for impairment of trade and receivables are as follows:

	2012	2011
	£'000	£'000
At 1 February	140	287
Acquisitions	103	-
Movement	(133)	(112)
Disposal group	-	(35)
At 31 January	110	140

The creation and release of provision for impaired receivables have been included in administrative expenses in the income statement.

The other classes within trade and other receivables do not contain impaired assets and the Group expect to recover these in full. There are no financial assets whose terms have been renegotiated that would otherwise be past due or impaired.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable noted above. The Group does not hold any collateral as security.

13 Cash and cash equivalents

	2012	2011
	£'000	£'000
Cash at bank and in hand	2,734	419

The fair value of the Group's cash and cash equivalents is the same as its book value stated above.

14 Trade and other payables

Current

	2012 £'000	2011 £'000
Trade payables	1,338	500
Other taxation and social security	578	566
Deferred consideration	134	-
Other payables	454	154
Accrued liabilities	2,302	1,826
Deferred income	1,212	225
	6,018	3,271

The Directors consider that the book value of trade payables, taxation, other payables, accrued liabilities and deferred income approximates to their fair value at the balance sheet date.

15 Borrowings

	2012 £'000	2011 £'000
Current		
Bank borrowings	-	44
Other borrowings	51	-
	51	44
Non – current		
Bank borrowings	-	62
Other borrowings	51	-
	51	62
Total borrowings	102	106

The maturity of total borrowings is as follows:**2012**	Other borrowings £'000	Total £'000
Within one year	51	51
Between one and two years	51	51
	102	102

2011	Bank borrowings £'000	Total £'000
Within one year	44	44
Between one and two years	62	62
	106	106

Other borrowings

Other borrowings relates to a loan provided by the previous owners of 1Spatial Australia Pty. Interest is charged at a fixed rate of 5%.

Bank borrowings

Interest on the bank borrowings were charged in 2011 at 4.25% over Natwest's base rate. Interest on the other borrowings (held in the disposal group at 31 January 2011) were charged at 2.75% above LIBOR.

At 31 January 2011 total bank borrowings were secured by a debenture comprising a fixed and floating charge over all the assets of the Group including book and other debts, chattels, goodwill and uncalled capital both present and future.

The bank overdraft facility available to the Group at 31 January 2012 was £500,000 (2011: £400,000).

Fair values
The fair value of current borrowings equals their carrying amount as the impact of discounting is not significant.

Foreign currency
The carrying amounts of the Group's other borrowings in 2012 are denominated in Australian Dollars.

The carrying amounts of all the Group's borrowings in 2011 were denominated in UK Sterling.

16 Deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities when the deferred tax relates to the same tax authority. The offset amounts are as follows:

	2012 £'000	2011 £'000
Deferred tax liabilities		
Deferred tax liability to reverse within 12 months	220	199
Deferred tax liability to reverse after more than 12 months	815	33
	1,035	232
Deferred tax liabilities (net)	**1,035**	**232**

The movement on the deferred income tax account is as follows:

	2012 £'000	2011 £'000
Beginning of year	232	536
Acquisitions – goodwill adjustment	826	249
Income statement credit	(23)	(132)
Disposal group	-	(421)
End of year	**1,035**	**232**

The movement in deferred tax liabilities during the year, without taking into consideration the offsetting of balances is as follows:

Deferred tax liabilities	**Intangible assets £'000**
At 1 February 2011	232
Acquisitions – goodwill adjustment	826
Credited to income statement	(23)
Disposal group	-
At 31 January 2012	1,035

The movement in deferred tax liabilities during the previous year, without taking into consideration the offsetting of balances is as follows:

Deferred tax liabilities	Intangible assets £'000
At 1 February 2010	536
Acquisitions – goodwill adjustment	249
Credited to income statement	(132)
Disposal group	(421)
At 31 January 2011	232

Deferred income tax assets are recognised against tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable benefits is probable. The Group did not recognise deferred tax assets of £1,176,000 (2011: £778,000) in respect to losses amounting to £4,702,000 (2011: £2,882,000) that can be carried forward against future taxable income.

17 Share capital and share premium

Allotted, called up and fully paid	2012 Number	2011 Number
Ordinary shares of 5p each	-	226,699,878
Ordinary shares of 1p each	348,769,274	-
Deferred shares of 4p each	226,699,878	-

Prior to the acquisition of 1Spatial Holding on 28 November 2011, the Company sub divided its existing share capital of 226,699,878 shares of 5p each to 226,699,878 shares of 1p each and 226,699,878 deferred shares.

	Ordinary shares of 5p each	Ordinary shares of 1p each	Deferred shares of 4p each
At 1 February 2011	226,699,878	-	-
Sub division of shares	(226,699,878)	226,699,878	226,699,878
Issue of shares	-	122,069,396	-
At 31 January 2012	-	348,769,274	226,699,878

Immediately following the Sub-division, each shareholder held one New 1Spatial plc Ordinary share of 1p each and one Deferred Share of 4p each in place of every one Existing 1Spatial plc Ordinary share of 5p each previously held in the capital of the Company.

Rights of shares

Ordinary shares
The rights attaching to the New 1Spatial plc Ordinary shares will in all material respects be the same as the rights attaching to the existing Shares. Holders of New 1Spatial plc Converted Shares will have the right to participate in dividends and other distributions made by the Company, and to receive notice of, attend and vote at every general meeting of the Company. On liquidation, holders of New 1Spatial plc Converted Shares will continue to be entitled to participate in the assets available for distribution pro-rata to the amount credited as paid up on such shares (excluding any premium).

Deferred Shares
The Deferred Shares will not carry voting rights or a right to receive a dividend. The holders of Deferred Shares will not have the right to receive notice of any general meeting of the Company, nor have any right to attend, speak or vote at any such meeting. The Deferred Shares will also be incapable of transfer (other than to the Company). In addition, holders of Deferred Shares will only be entitled to a payment on a return of capital or on a winding up of the Company after each of the holders of Ordinary shares has received a payment of £1,000,000 in respect of each Ordinary Share. Accordingly, the Deferred Shares will have no economic value. No application will be made for the Deferred Shares to be admitted to trading on AIM nor to trading on any other stock or investment exchange.

	Number of shares	Allotted, called up and fully paid shares	Share premium account	Own shares held
		£'000	£'000	£'000
At 1 February 2011	226,699,878	11,335	6,455	(306)
Sub division	226,699,878	-	-	-
Issue of shares	122,069,396	1,221	-	-
At 31 January 2012	575,469,152	12,556	6,455	(306)

As noted above, the Group issued 122,069,396 shares as follows:

Date	Description	Number of shares
28 November	Share issued on the acquisition of 1Spatial Holdings	122,069,396
		122,069,396

For details of the Group's share option scheme, refer to note 19.

18 Accumulated losses and other reserves

	Accumulated losses	Share based payment reserve	Merger reserve	Reverse acquisition reserve	Currency translation reserve
	£'000	£'000	£'000	£'000	£'000
At 1 February 2011	(9,247)	387	10,006	(11,584)	(39)
Loss for the year	(1,010)	-	-	-	-
Exchange differences arising on translation of net assets of foreign operations	-	-	-	-	6
Premium on issuance of shares to acquire subsidiary	-	-	3,894	-	-
At 31 January 2012	(10,257)	387	13,900	(11,584)	(33)

Share based payments reserve

The share based payment reserve arises from the requirement to reflect the fair value of share options in existence at the balance sheet date. The share based payments reserve includes the fair value adjustment in respect of warrants issued in previous years. For further detail on share options and warrants see note 19 and 20 respectively.

Merger reserve

The merger reserve arises on the difference between the nominal value of shares issued and the premium payable to acquire shares in another company. The £3,894,000 arose in the year on the acquisition of 1Spatial plc when 122,069,396 shares were issued at a premium of 3.19p per share.

Reverse acquisition reserve

The reverse acquisition reserve is created in accordance with IFRS 3 'Business Combinations'. The reverse acquisition reserve arose during the year ended 31 January 2010 due to the elimination of certain costs in respect of the legal parent (1Spatial plc formerly Avisen Plc and Z Group Plc) and the legal subsidiary (Avisen Group Limited). Since the shareholders of Avisen Group Limited became the majority shareholders of the enlarged Group the acquisition is accounted for as though there is a continuation of the legal subsidiary's financial statements. In reverse acquisition accounting, the business combination's cost is deemed to have been incurred by the legal subsidiary.

Currency translation reserve

The currency translation reserve arises on the translation of foreign entity balances where the functional currency is different from the presentation currency.

19 Share based payments

The total charge for the year relating to share based payment plans was £Nil (2011: £Nil).

The EMI share option plan and Executive unapproved share option plan was introduced in 2010. Under the schemes the Board of directors of 1Spatial Plc can grant options over the shares of the Company to directors and employees. Options are typically granted at a fixed price equal to the market price of the shares under option at the date of grant, although some options granted around the time of the acquisition were at a discount to the market price. The contractual life of the option was 10 years. Awards under the scheme are reserved for employees who are deemed to be critical to the future success of the Company. The vesting period of the options typically is for one year. Exercise of an option is subject to continuing employment. The differences between the two schemes are relatively minor, the main difference residing in the definition of an eligible employee. Under the EMI scheme an employee must be a full time employee and a UK resident, whereas part time and non resident employees can become members of the unapproved option scheme. Options under both schemes were valued using the Black-Scholes option pricing model. The fair value per option granted and the assumption used in the calculation are as follows:

Grant date	**18 November 2009**	**11 November 2009**	**13 March 2009**
Share price at grant	12.0p	12.5p	13.75p
Exercise price	10.2p	12.5p	12.39p
Number of option holders	99	1	4
Share options granted	9,931,678	422,935	874,752
Vesting period (years)	1	1	1
Expected volatility	76.2%	76.2%	76.2%
Option life (years)	10	10	10
Expected life (years)	4.8	4.1	4.4
Risk free rate	4.9%	4.9%	4.9%
Expected dividends expressed as a divide yield	0%	0%	0%
Fair value	10.6p	10.29p	11.46p

The expected volatility was based on the historic volatility for the last six months of the period to 31 January 2010, the expected volatility of options granted was derived by taking an average of historic share price volatility over those months.

A reconciliation of options over the year to 31 January 2012 is shown below:

	2012		**2011**	
	Number	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
Outstanding brought forward	6,250,001	9.5p	11,229,365	9.9p
Forfeited during the year	(2,232,501)	12.5p	(4,979,364)	10.8p
Outstanding carried forward	4,017,500	8.5p	6,250.001	9.5p
Exercisable as at 31 January 2012	4,017,500		6,250,001	

The weighted average remaining contractual life of share options outstanding at the end of the year was 8 years (2011: 9 years). The exercise prices of the outstanding options range between 5.5p and 12.5p.

20 Share warrants

No warrants were issued during the year and no charge made (28 July 2010: £75,000). The prior year charge was taken to the share based payment reserve.

Respective resolutions were passed for each warrant issue in accordance with the Memorandum and Articles. The fair value of these warrants has been calculated using the Black Scholes option pricing model using the following assumptions:

Issue date	**28 July 2010**
Share price at grant date	5.63p
Subscription date	5.63p
Number of warrant holders	1
Warrants issued	2,252,692
Vesting period (years)	0
Expected volatility	77.8%
Option life (years)	5
Expected life (years)	3
Risk free rate	4.5%
Expected dividends expressed as a dividend yield	0%
Fair value	5.09p

The expected volatility is based on the historic volatility for the last six months at the date of grant, calculated by taking an average of historic share price volatility over those months.

A reconciliation of warrants over the year to 31 January 2012 is shown below:

	2012 Number	**2012 Weighted average exercise price**
Outstanding brought forward and carried forward	2,252,692	5.63p

21 Business Combinations

On 28 November 2011, 1Spatial plc acquired the entire share capital of 1Spatial Holdings.

The Board's decision to invest in the 1Spatial Business was to strengthen the strategy for the business moving forward. The 1Spatial Business has a strong customer base in some of the world's largest National Mapping Agencies (NMAs) and these relationships have been built over a many years throughout the history of the Company. The 1Spatial Business product manages data for many of the NMAs and this puts 1Spatial Business as a strategic partner and provider of technology in this market. 1Spatial will put a continued focus on product development and innovation of its intellectual property and offerings, providing both on-premise and Cloud solutions through its recently launched Socium 1Spatial Cloud platform.

The Group obtained control of 1Spatial Holdings plc on 28 November 2011 by virtue of its 100% interest in the shares and control of the Board of Directors.

Details of the provisional net assets acquired and goodwill are as follows:

	1Spatial
	£'000
Non Current Assets	
Property, plant and equipment (note 11)	118
Separately identified intangible assets * (note 10)	3,302
Current Assets	
Work in progress	12
Trade receivables	1,679
Other receivables and prepayments	457
Cash and cash equivalents	661
Current Liabilities	
Trade payables	(505)
Other payables and accruals	(2,946)
Borrowings	(96)
Current tax liabilities	(87)
Deferred tax liabilities (note 16)	(826)
	1,769
Net assets acquired	1,769
Goodwill arising upon acquisition	3,346
Total consideration – satisfied by shares	5,115
Net cash inflow arising on acquisition	661

* Separately identifiable intangible assets on acquisition have been identified in respect of 1Spatial brand, customer and related contracts and software.

In addition to the above goodwill of £3,346,000, a further adjustment of £100,000 was made to goodwill in the year with respect to the prior year Xploite plc acquisition. This adjustment related to the revision of certain items in the provisional fair value balance sheet at acquisition. Total goodwill additions in the year are therefore £3,436,000 (note 10).

a) Acquisition related costs

IFRS 3 (revised) was applied to the acquisition of 1Spatial Holdings Limited and its subsidiaries on 28 November 2011. Acquisition related costs of £301,000 have been recognised in the income statement within strategic costs.

b) Revenue and profit contribution

The acquired business contributed revenues of £1,533,000 and a net loss of £116,000 to the Group for the period since acquisition to 31 January 2012. If the acquisition had occurred on 1 February 2011, consolidated revenue and consolidated loss for the year ended 31 January 2011 would have been £8,741,000 and £1,147,000 respectively.

22 Discontinued operations

On 1 April 2011 the Group transferred the entire interest in its subsidiary Inca Software Limited to Logicalis Limited.

The assets and liabilities relating to Inca Software Limited were presented as held for sale at 31 January 2011 following their agreed disposal. The results of the subsidiary were reported in the financial statements for the year ended 31 January 2011 as discontinued operations and its performance is detailed within the discontinued segmental analysis in note 5.

The carrying amounts of assets and liabilities as at 1 April 2011 were:

	£'000
Intangibles assets including goodwill	7,629
Property, plant and equipment	130
Total non-current assets	7,759
Trade and other receivables	2,458
Cash and cash equivalents	50
Total current assets	2,508
Total assets	10,267
Trade and other payables	(3,594)
Borrowings	(277)
Deferred tax liability	(421)
Total liabilities	(4,292)
Net assets	5,975

The gain on disposal is set out below:

	As at 1 April 2011 £'000
Consideration received or receivable:	
Cash	6,000
Deferred consideration	1,300
Total disposal consideration	**7,300**
Carrying amount of net assets sold	(5,975)
Disposal costs	(861)
Gain on disposal before income tax	464
Income tax expense*	-
Gain on disposal after income tax	464

*No tax is due on the gain as any taxable gain on disposal was covered by Substantial Shareholder Exemption.

On 14 July 2010 the Group transferred the entire interest in its South African subsidiary Avisen (Pty) SA Limited and its subsidiary i-Centric (Pty) Limited, to K Jones, a director of Avisen (Pty) SA Limited. The consideration of 3,500,000 shares in 1Spatial Plc with a fair value of £306,000 has been subsequently classified as Own shares held in equity. This resulted in a gain on disposal of £142,000 which is classified within equity.

23 Disposal group

As at 31 January 2011, the assets and liabilities relating to Inca Software Limited, had been presented as held for sale following their agreed disposal in January 2011. Completion of the transaction took place on 1 April 2011 (see note 22).

Details of the assets and liabilities at 31 January 2011 were as follows:

	£'000
Assets	
Non current assets	
Intangible assets including goodwill	7,699
Property, plant and equipment	148
	7,847
Current assets	
Trade receivables	1,242
Other receivables and prepayments	1,079
Bank and cash balances	74
	2,395
Total assets of disposal group	**10,242**
Current liabilities	
Trade payables	(1,031)
Other payables and accruals	(2,649)
Borrowings	(156)
Deferred tax	(421)
Total liabilities of disposal group	**(4,257)**

24 Earnings/(Loss) per ordinary share

Basic loss per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 January 2012			**Year ended 31 January 2011**		
	Continuing £'000	**Discontinued £'000**	**Total £'000**	**Continuing £'000**	**Discontinued £'000**	**Total £'000**
(Loss)/profit attributable to equity holders	(1,420)	(54)	(1,474)	(7,642)	458	(7,184)
Adjustments:						
Impairment of intangible assets	505	68	573	4,788	-	4,788
Integration, strategic and one off costs	540	45	585	1,500	232	1,732
Adjusted (loss/profit)	(375)	59	(316)	(1,354)	690	(664)
	Pence	**Pence**	**Pence**	**Pence**	**Pence**	**Pence**
Basic (loss)/profit per share	(0.57)	(0.02)	(0.59)	(3.69)	0.22	(3.47)
Diluted (loss)/profit per share	(0.57)	(0.02)	(0.59)	(3.69)	0.22	(3.47)
Adjusted basic (loss)/earnings per share	(0.15)	0.02	(0.13)	(0.65)	0.33	(0.32)
Adjusted diluted (loss)/ earnings per share	(0.15)	0.02	(0.13)	(0.65)	0.33	(0.32)

	Number 000's	**Number 000's**
Basic weighted average number of ordinary shares	248,104	206,977
Impact of share options and warrants	-	689
Diluted weighted average number of ordinary shares	248,104	207,666

Where there is a loss per share, the share options are not dilutive and hence the diluted earnings per share is the same as the basic.

25 Commitments

Operating lease commitments
The future aggregated minimum lease payments under non-cancellable operating leases are as follows:

	2012 Land & Buildings £'000	2011 Land & Buildings £'000
No later than one year	375	106
Later than one year but no later than five years	1,106	160
Later than 5 years	593	-
	2,074	266

The Group leases offices under non-cancellable operating lease agreements which are renewable at the end of the lease period at market rates.

26 Related-party transactions

(a) Key management compensation

The only key management personnel of the Group are the Directors. Details of the compensation of the key management personnel are disclosed in note 6c to the financial statements.

(b) Controlling party

There is no one party which controls the Group.

(c) Company and subsidiary

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed.

(d) Transactions arising from purchases of services

Transactions with related parties of £225,000 during the year relate to services provided by a company where one of the 1Spatial plc non executive directors is a member of the board. In addition fees are paid to related parties in respect of the non executive directors services, for which details are disclosed in note 6c to the financial statements. The amounts owed to these related parties at the balance sheet date are shown below:

	2012 £'000	2011 £'000
Related party 1	2	2
Related party 2	-	43
Related party 3	3	3
Related party 4	6	-
	11	48

27 Principal subsidiaries of the Group as at 31 January 2012

Subsidiary undertakings	Description and proportion of share capital held by 1Spatial plc	Description and proportion of share capital held by Group	Country of incorporation or registration	Nature of business
Avisen Group Limited	Ordinary 100%	-	England & Wales	IT Consultancy
Avisen UK Limited	-	Ordinary 100%	England & Wales	IT Consultancy
Solution Minds Limited	-	Ordinary 100%	England & Wales	Dormant
Avisen BV	-	Ordinary 100%	Netherlands	IT Consultancy
Solution Minds (UK) Limited	-	Ordinary 100%	England & Wales	IT Consultancy
Strategy GPS Limited	Ordinary 100%	-	England & Wales	Holding company
Xploite plc	Ordinary 100%	-	England & Wales	Holding company
Xploite IHC Limited	-	Ordinary 100%	England & Wales	Holding company
FBHG Limited	-	Ordinary 100%	England & Wales	Holding company
Storage Fusion Limited	-	Ordinary 100%	England & Wales	IT Business Service Assurance Solutions
1Spatial Holdings Limited	Ordinary 100%	-	England & Wales	Holding company
1Spatial Group Limited	-	Ordinary 100%	England & Wales	Location based software development and consultancy
1Spatial Technologies Limited	-	Ordinary 100%	England & Wales	
Socium Limited	-	Ordinary 100%	England & Wales	
1Spatial Australia Pty Limited	-	Ordinary 100%	Australia	
Aon Spasuil Limited	-	Ordinary 100%	Ireland	

1Spatial plc

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 1SPATIAL PLC

We have audited the parent company financial statements of 1Spatial plc for the year ended 31 January 2012 which comprise the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the Companies Act 2006.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 16, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatement or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2012 and of its cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter
We have reported separately on the Group financial statements of 1Spatial plc for the year ended 31 January 2012.

Miles Saunders (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading, 30 July 2012

1Spatial plc
Statement of financial position **Registered number: 5429800**
As at 31 January 2012

	Note	2012 £'000	2011 £'000
Assets			
Non current-assets			
Goodwill	3	-	120
Other intangible assets	3	8	15
Property, plant and equipment	4	63	-
Investments	5	11,549	16,578
Total non-current assets		11,620	16,713
Current assets			
Trade and other receivables	6	1,915	1,280
Cash and cash equivalents	7	544	11
Total current assets		2,459	1,291
Liabilities			
Current liabilities			
Trade and other payables	8	11,431	4,394
Borrowings	9	-	106
		11,431	4,500
Net assets		2,648	13,504
Shareholders' equity			
Share capital	11	12,556	11,335
Share premium account	11	6,455	6,455
Own shares held	11	(306)	(306)
Share based payments reserve		1,026	1,026
Merger reserve		13,900	10,006
Accumulated losses		(30,983)	(15,012)
Total equity		2,648	13,504

The financial statements on pages 61 to 71 were approved and authorised for issue by the Board on 30 July 2012 and signed on its behalf by

C Milverton
Director

1Spatial plc
Statement of Changes in Equity
Year ended 31 January 2012

£'000	Share Capital	Share Premium Account	Own shares held	Share Based Payments Reserve	Merger Reserve	Accumulated losses	Total Equity
Balance at 1 February 2011	11,335	6,455	(306)	1,026	10,006	(15,012)	13,504
Comprehensive income							
Loss for the year	-	-	-	-	-	(15,971)	(15,971)
Other comprehensive income							
Merger reserve	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income/(expense)	-	-	-	-	-	(15,971)	(15,971)
Transactions with owners							
Shares issued in the year (note 11)	1,221	-	-	-	-	-	1,221
Premium on issuance of shares to acquire subsidiary (note 11)	-	-	-	-	3,894	-	3,894
	1,221	-	-	-	3,894	-	5,115
Balance at 31 January 2012	12,556	6,455	(306)	1,026	13,900	(30,983)	2,648

£'000	Share Capital	Share Premium Account	Own shares held	Share Based Payments Reserve	Merger Reserve	Accumulated losses	Total Equity
Balance at 1 February 2010	7,162	6,463	-	951	4,830	(6,685)	12,721
Comprehensive income							
Loss for the year	-	-	-	-	-	(8,327)	(8,327)
Other comprehensive income							
Merger reserve	-	-	-	-	5,176	-	5,176
Total other comprehensive income	-	-	-	-	5,176	-	5,176
Total comprehensive income/(expense)	-	-	-	-	5,176	(8,327)	(3,151)
Transactions with owners							
Shares issued in the year	4,173	(8)	-	75	-	-	4,240
Shares to be held in treasury resulting from disposal of subsidiary	-	-	(306)	-	-	-	(306)
	4,173	(8)	(306)	75	-	-	3,934
Balance at 31 January 2011	11,335	6,455	(306)	1,026	10,006	(15,012)	13,504

1Spatial plc
Statement of cash flows
Year ended 31 January 2012

	Notes	2012 £'000	2011 £'000
Cash flows from operating activities			
Cash used in operations	(a)	(5,303)	311
Interest received		17	-
Interest paid		(5)	(8)
Net cash used in operating activities		(5,291)	303
Cash flows from investing activities			
Purchase of intangible assets		-	-
Purchase of property, plant and equipment		(70)	-
Purchase of fixed asset investments		-	-
Disposal of subsidiaries		6,000	(306)
Net cash used in investing activities		5,930	(306)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		(106)	-
Net cash generated from financing activities		(106)	-
Net decrease in cash and cash equivalents		533	(3)
Cash and cash equivalents at start of year		11	14
Cash and cash equivalents at end of year		544	11

Notes to the statement of cash flows

(a) Cash (used in)/generated from operations

	2012 £'000	2011 £'000
Continuing operations		
Loss before tax	(15,971)	(8,327)
Adjustments for:		
Depreciation charge	7	-
Share based payment credit	-	-
(Increase)/decrease in trade and other receivables	(635)	396
Increase in trade and other payables	1,037	3,734
Amortisation and impairments	10,271	4,500
Finance income	(17)	-
Finance costs	5	8
Cash (used in)/generated from continuing operations	(5,303)	311

1Spatial plc

Notes to the Company financial statements for the year ended 31 January 2012

1 Summary of significant accounting policies

Basis of preparation

The Company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC (International Financial Reporting Interpretations Committee) interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the going concern basis under the historical cost convention in accordance with the Companies Act 2006.

See note 2, Adoption of new and revised International Financial Reporting Standards (IFRSs), in the notes to the consolidated financial statements for further information relating to the preparation of the financial statements.

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included a Statement of Comprehensive Income in these separate financial statements. The loss attributable to members of the parent company for the year ended 31 January 2012 is £15,971,000 (2011: £8,327,000).

Going Concern

In assessing the Company's ability to continue as a going concern, the Directors have taken into consideration all available information relating to the 12 month period from the date of approval of these financial statements. In particular the Directors have assessed expenditure, budgets and cash flow forecasts of the Company.

Significant accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Carrying value of investments

The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount. If the recoverable amount of the cash-generating unit is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. Management have used significant estimates and judgements when putting together the budgets and projections which are used in the value in use calculations. These judgements are mainly in relation to projected revenues and margins.

Share-based payments

The Company issues share-based payments to certain employees. The fair value and the vesting periods use management assumptions in their calculation. While management believes that the assumptions used are appropriate, a change in the assumptions used would impact the results of the Company.

Share-based payments

The Company operates a number of equity-settled, share-based payment compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee service received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest.

At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

Where options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Revenue recognition
Revenue is stated net of Value Added Tax and net of any applicable discounts or rebates.

Interest income
Interest income is recognised on an accruals basis.

Goodwill
Goodwill arising on acquisitions of trade and assets is recognised at the date control is acquired. Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets acquired at the date of acquisition. If, after reassessment, the Company's interest in the fair value of the identifiable net assets exceeds the sum of the consideration transferred, the excess is recognised immediately in profit and loss as a bargain purchase gain. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Any impairment is charged to the income statement. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing

For further information in respect of impairment see the Group accounting policies on page 30 and note 10 to the consolidated financial statements.

Intangible assets
Identifiable intangible assets acquired are initially recognised separately from goodwill if the asset's fair value can be measured reliably. For intangible assets that have finite useful lives, amortisation is calculated so as to write off the cost of an asset less its estimated residual value over its useful economic life as follows:

Software – 3 years

Intangible assets are tested annually for impairment and are carried at amortised cost less accumulated impairment losses. Any impairment is charged to the income statement in the year it arises. See note 10 to the consolidated financial statements for further information.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided at rates calculated to write off the cost or valuation of property, plant and equipment, less their estimated residual value over their expected useful lives on the following basis:

Motor vehicles - 33% per annum – straight line

The Directors annually review the residual value and estimated useful lives of the property, plant and equipment.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Fixed asset investments
Fixed asset investments in group undertakings are carried at cost less any provision for impairment. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. An impairment loss is recognised immediately in the profit and loss account.

Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less they are classified as current assets. If not, they are presented as non current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the provision for impairment of trade receivables, and the amount of the loss is recognised in the statement of comprehensive income within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within 12 months or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates and laws that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle that carrying amount of its assets and liabilities.

Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement in the period in which they arise.

Employee Pensions

The Company operates a stakeholder pension plan for which all employees are eligible. No employees have as yet joined the scheme.

2 Financial risk management

The Company's financial instruments comprise amounts due to/from subsidiary undertakings, cash and cash equivalents, other receivables and trade and other payables. The Company's approach to the financial risks is discussed in note 3, Financial Instruments, to the consolidated financial statements.

Liquidity risk
The Company's objective is to maintain a balance between continuity of funding and flexibility. The Company's policy is to manage working capital in order to ensure that liquidity is maintained so as to meet peak funding requirements.

Foreign currency risk
As at 31 January 2012 and 31 January 2011, there was no foreign exchange currency exposure to the Company.

Borrowing facilities
The Company has an overdraft facility of £Nil (2011: £400,000) at the balance sheet date.

3 Intangible assets

At 31 January 2012	Goodwill £'000	Software £'000	Total £'000
Cost			
At 1 February 2011 and 31 January 2012	120	23	143
Accumulated impairment and amortisation			
At 1 February 2011	-	8	8
Amortisation	120	7	127
At 31 January 2012	120	15	135
Net book amount			
At 31 January 2012	-	8	8
At 31 January 2011	120	15	135

At 31 January 2011	Goodwill £'000	Software £'000	Total £'000
Cost			
At 1 February 2010 and 31 January 2011	120	23	143
Accumulated impairment and amortisation			
At 1 February 2010	-	-	-
Amortisation	-	8	8
At 31 January 2011	-	8	8
Net book amount			
At 31 January 2011	120	15	135
At 31 January 2010	120	23	143

4 Property, plant and equipment

At 31 January 2012	Motor Vehicles £'000	Total £'000
Cost		
At 1 February 2011	-	-
Additions	70	70
At 31 January 2012	70	70
Accumulated depreciation		
At 1 February 2011	-	-
Charge for year	7	7
At 31 January 2012	7	7
Net book amount		
At 31 January 2012	63	63

5 Investments

At 31 January 2012	Total £'000
Shares in group undertakings	
Cost	
At 1 February 2011	21,078
Additions	5,115
Disposals	(4,555)
At 31 January 2012	21,638
Accumulated amounts provided	
At 1 February 2011	4,500
Impairment in year	5,589
At 31 January 2012	10,089
Net book amount	
At 31 January 2012	11,549
At 31January 2011	16,578

During 2011 Xploite plc was acquired for £9,317,000. An impairment charge of £4,500,000 was made against this entity following an impairment review. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable.

During the current year the Company has made an additional provision for impairment of its investments to bring their carrying value in line with their value in use calculated.

During 2012 Inca Software was disposed as detailed in note 22 and acquired 1Spatial Holdings plc as detailed in note 21. Details of the principal subsidiaries are provided in note 27 to the consolidated financial statements.

At 31 January 2011	Total £'000
Shares in group undertakings	
Cost	
At 1 February 2010	11,761
Additions	9,317
At 31 January 2011	21,078
Accumulated amounts provided	
Impairment in year	4,500
At 31 January 2011	4,500
Net book amount	
At 31 January 2011	16,578
At 31January 2010	11,761

6 Trade and other receivables

	2012 £'000	2011 £'000
Current:		
Trade receivables	-	3
Amounts owed by group undertakings	318	1,137
Other receivables	1,585	134
Prepayments and accrued income	12	6
	1,915	1,280

The fair value of trade and other receivables is consistent with their book values.

7 Cash and cash equivalents

	2012 £'000	2011 £'000
Cash at bank and in hand	544	11

8 Trade and other payables

	2012 £'000	2011 £'000
Current:		
Trade payables	256	134
Amounts owed to group undertakings	10,276	3,402
Taxation and social security	13	-
Other payables	7	175
Accrued liabilities	879	683
	11,431	4,394

The carrying value of trade and other payables is consistent with their book values. It is the Company's policy to settle trade payables within normal credit terms.

9 Borrowings

	2012	2011
	£'000	£'000
Current		
Bank borrowings	-	106
	-	106

Interest on the bank borrowings is charged at 4.25% over Natwest's base rate. The bank borrowings were secured by a debenture comprising a fixed and floating charge over all the assets of the Group including book and other debts, chattels, goodwill and uncalled capital both present and future.

10 Share based payments

Disclosures in relation to the share options and warrants in issue are made in notes 19 and 20 to the consolidated financial statements.

11 Share capital and share premium

	2012	2011
Allotted, called up and fully paid	**Number**	**Number**
Ordinary shares of 5p each	-	226,699,878
Ordinary shares of 1p each	348,769,274	-
Deferred shares of 4p each	226,699,878	-

Prior to the acquisition of 1Spatial plc on 28 November 2011, the Company sub divided its existing share capital of 226,699,878 shares of 5p each to 226,699,878 shares of 1p each and 226,699,878 deferred shares.

Immediately following the Sub-division, each shareholder held one New 1Spatial plc Ordinary share of 1p each and and one Deferred Share of 4p each in place of every one Existing 1Spatial plc Ordinary share of 5p each previously held in the capital of the Company.

	Ordinary shares of 5p each	Ordinary shares of 1p each	Deferred shares of 4p each
At 1 February 2011	226,699,878	-	-
Sub division of shares	(226,699,878)	226,699,878	226,699,878
Issue of shares	-	122,069,396	-
At 31 January 2012	-	348,769,274	226,699,878

Rights of shares

Ordinary shares

The rights attaching to the New 1Spatial plc Ordinary shares will in all material respects be the same as the rights attaching to the existing Shares. Holders of New Avisen Converted Shares will have the right to participate in dividends and other distributions made by the Company, and to receive notice of, attend and vote at every general meeting of the Company. On liquidation, holders of New Avisen Converted Shares will continue to be entitled to participate in the assets available for distribution pro-rata to the amount credited as paid up on such shares (excluding any premium).

Deferred Shares

The Deferred Shares will not carry voting rights or a right to receive a dividend. The holders of Deferred Shares will not have the right to receive notice of any general meeting of the Company, nor have any right to attend, speak or vote at any such meeting. The Deferred Shares will also be incapable of transfer (other than to the Company). In addition, holders of Deferred Shares will only be entitled to a payment on a return of capital or on a winding up of the Company after each of the holders of Ordinary shares has received a payment of £1,000,000 in respect of each Ordinary Share. Accordingly, the Deferred Shares will have no economic value. No application will be made for the Deferred Shares to be admitted to trading on AIM nor to trading on any other stock or investment exchange.

	Number of shares	Allotted, called up and fully paid shares	Share premium account	Own shares held
		£'000	£'000	£'000
At 1 February 2011	226,699,878	11,335	6,455	(306)
Sub division	226,699,878	-	-	-
Issue of shares	122,069,396	1,221	-	-
At 31 January 2012	575,469,152	12,556	6,455	(306)

As noted above, the Group issued 122,069,396 shares as follows:

Date	Description	Number of shares
28 November	Share issued on the acquisition of 1Spatial Holdings	122,069,396
		122,069,396

12 Related party disclosures

Details of remuneration of the key management personnel is contained in note 6 to the consolidated financial statements.

The following transactions with related parties occurred in the year.	2012	2011
	£'000	£'000
Opening debt due from related parties	(840)	1,515
Cash forwarded by the Company to related parties	3,769	3,531
Cash forwarded by the related parties to the Company	(9,293)	(6,204)
Other re-charges from the Company	369	831
Other re-charges from the related parties	(121)	(513)
Closing debt due to related parties	(6,116)	(840)

No purchase or sales transactions were entered into between the Company and subsidiary undertakings. Transactions with other related parties during the year relate to services provided by a company where one of the 1Spatial plc non executive directors sits on the board. In addition fees are paid to related parties in respect of the non executive directors services, for which details are disclosed in note 6c to the Group financial statements.

The amounts owed by/(owed to) related parties is shown below:	2012	2011
	£'000	£'000
Avisen Group Limited	(84)	(107)
Avisen UK Limited	2,975	873
Solution Minds (UK) Limited	32	85
NOE Enterprises Limited (formerly EON Enterprises Limited)	-	47
Infocube Limited	-	124
Inca Holdings Limited	(7,200)	100
Inca Software Limited	-	882
Xploite plc	(2,733)	(2,872)
Xploite IHC Limited	(158)	(158)
Storage Fusion Limited	739	191
1Spatial Holdings Limited	318	-
Related party 1	(2)	(2)
Related party 3	(3)	(3)
	(6,116)	(840)

Company information

Directors

M Hanke	Chief Executive Officer
C Milverton	Chief Financial Officer
S Berry	Non-Executive
M Sanderson	Director of Strategic Development
M Yeoman	Non-Executive
M Battles	Non-Executive

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